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CHINA REPORT ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

CONTINUITY OF POLICIES URGED IN MODERNIZATION

HK271346 Beijing BEIJING REVIEW in English No 16, 18 Apr 83 pp 20-23, 25

[Article by Ren Tao, head of the comprehensive group under the State Council's Economic Research Center: "Chinese-Type Modernization (9): Ensure the Continuity of the Present Policies"]

[Text] Forty years ago, when China decided to shift its focus of work to economic construction, some foreign commentators expressed doubts about the stability of this change.

They described New China's history in terms of a "policy cycle" swinging from a stress on ideology (class struggle) to practice (economic construction).

Today, these observers claim, "pragmatists" have the upper hand, but in the future "aggressive theorists" could negate the present policies.

As time has passed, such comments gradually have dwindled, but doubts have not been dismissed. Whenever we take a major new step to expedite the modernization drive (such as shifting the focus of economic readjustment, personnel changes or the campaign to crack down on economic criminal activities), some people always speculate about its meaning in terms of political struggle and doubt the durability of our present policies.

Our previous articles have described the direction for Chinese-type socialist modernization and have outlined blueprints for our development by the end of this century. Thus, it is now of practical significance to discuss the question of a "policy cycle."

A policy's endurance does not depend upon who formulates it, but on whether it is based on the nation's conditions, whether it conforms to historical development and whether it meets the people's fundamental interests and gains the support of the people.

Current Principal Contradiction

While shifting the focus of its work to socialist modernization, China also abandoned the slogan of "taking class struggle as the key link," which had been pursued for quite a long time. This is the most important and most

fundamental change in our policies and also a logical development following the party's reestablishment of the Marxist ideological line of integrating theory with practice and seeking truth from facts.

This great change shows that in our view, the principal contradiction in China is no longer a contradiction between classes (class struggle), but the contradiction between the people's increasing demands for material and cultural well-being and the backward social productive forces. This view was first put forth at the party's Eighth National Congress in September 1956 and was reaffirmed by the Third Plenary Sessions of the 11th Party Central Committee in 1978.

The viewpoint conforms of China's actual conditions.

From a Marxist viewpoint, classes and class struggle are related to certain stages of historical development. The exploiting classes develop with the development of private ownership and the accompanying system of exploitation. But they are eliminated with the elimination of that ownership and that system.

After the socialist revolution won victory in Russia in 1917, the exploiters' political power was overthrown and the working class gained control of the means of production. In 1923 Lenin stated: Because of this fundamental change "we must admit that a radical change has taken place in our whole outlook on socialism. This radical change lies in that formerly we placed, and had to place, the main weight of emphasis on the political struggle, on revolution, on winning power, etc. Now the weight of emphasis is changing and is being shifted to peaceful, organizational, 'cultural' work" (On Co-operation). The "cultural" work Lenin talked about was similar in content to our present socialist material civilization and spiritual civilization.

In 1956, some years after the people seized political power, the public ownership of the means of production was realized after the socialist system was basically established in China. China's situation then was very similar to that in the Soviet Union in 1923 as Lenin described it.

A Profound Historical Lesson

Our practice over the last 22 years since 1956 has proved that the principle of "taking class struggle as the key link" under socialist conditions totally goes against the reality of class struggle in our society, against the objective laws governing the development of a socialist society and against the strong desire of the people to build a modern socialist country.

As a result of "taking class struggle as the key link," numerous contradictions among the people and problems unrelated with class struggle (such as the contradictions between the state, the collective and individuals, the contradictions between the leadership and the masses, the contradictions between the advanced and the less advanced, the contradictions between different academic viewpoints, etc.) were viewed and dealt with as class struggle.

This practice created confusion in our own ranks and obscured the demarcation line between the enemy and ourselves. Furthermore, bad persons took advantage of this error to attack good people, just as the Lin Biao and Jiang Qing counterrevolutionary cliques did during the "cultural revolution."

The practice of "taking class struggle as the key link" also plunged the nation into incessant political turmoil and thus made shifting the focus of our work to socialist modernization impossible. Each political upheaval in the last two decades or so was, as often as not, accompanied by a rash economic advance followed by the necessity to make major readjustments. The losses thus inflicted on the country's material production and living standards are incalculable.

As a result of implementation of the principle "taking class struggle as the key link," injustices done to people during the previous political movements could be found practically everywhere across the country. These involved states leaders, veteran revolutionaries, cadres of ordinary intellectuals, workers and peasants. The minds of many young people were poisoned and social values corrupted. The party and the people endured untold suffering and paid a heavy cost. This profound historical lesson will never be forgotten by our people and will be passed on to our future generations. The people will never allow such a historical tragedy as the "cultural revolution" to be repeated. Any attempt to turn back the clock will be futile.

The Will of the People

In the last four years since our focus shifted to economic construction, the party and government have made great efforts to set right our work in all fields. Since the founding of the People's Republic, many problems left over by history and many new problems arising from the realities of life have been solved. A situation of stability and unity now prevails in the country and the national economy is improving. During this period, the government has formulated and implemented a series of new economic policies that are commensurate with socialist modernization and conform to China's special conditions. They include:

- implementing the rural policy centering on the contract system of responsibility for production;
- extending the decision-making powers of enterprises and stimulating the national economy;
- readjusting, restructuring, consolidating and improving the national economy with the emphasis on improving overall economic results;
- adhering to the principle of the leading role of the planned economy and the supplementary role of market regulation;
- comprehensively implementing the principle of material interests among the state enterprises (collective) and individuals;
- allowing the existence of diverse economic sectors on the basis of the socialist economy;

--paying equal attention to economic construction and the improvement of living standards so that each promotes the other and

--opening to the outside world, importing advanced technology, using foreign investment and expanding economic and technological exchanges with other countries on the basis of independence and self-reliance.

These policies have greatly activated the initiative of the masses of people and endowed the various economic undertakings with unparalleled motivation and energy. Our national economy which suffered from prolonged and serious imbalances has embarked on the road of proportionate development of (in priority order) agriculture, light industry and heavy industry.

The ratio between accumulation and consumption is being rationalized and economic results have been constantly improved. The urban and rural markets are brisk, and living standards have increased markedly.

During the four years between 1979 and 1982, the peasants' average per-capita income doubled and the average per-capita consumption level of the urban workers' and staff's families increased 31 percent (the factor of price rise is excluded).

Most prominent are the development of agricultural production and the improvement of the peasants' lives. Tremendous changes have taken place over the last few years in previously poverty-stricken areas like Anhui's Chuxian Prefecture and northwest Shandong Province where in the past, peasants could hardly eke out a living.

Recently, the peasants of Chuxian Prefecture raised enough funds through local efforts to buy 200 trucks at one time. These peasants said that they believe the party's present policies will bring prosperity to the country and benefits to the people. Highly elated, they described the present rural situation as desirable as the "second golden age" since the cooperative movement. Their only worry was whether these policies will be reversed.

The peasants were filled with joy when the party's 12th National Congress declared that the present policies will remain unchanged for a long time to come. This shows that the party's policies are in accord with the will of the people and enjoy popular support.

Choosing Competent Successors

Correct policies require leadership from competent cadres. The choice of leaders and successors is decisive to the consistency of our policies.

At present, as the problem of the aging of our cadres becomes increasingly serious, many leading bodies are replacing old leaders with younger ones. The party has established the principle that we must appoint leading cadres who are more revolutionary, better educated, professionally more competent and younger in average age. This conforms to our past principle that leaders should be both socialist-minded and vocationally proficient.

At the same time, principles have been established to keep out of the leading bodies those who oppose the present policies or who stick to the past "left" mistakes and attempt to reverse the wheels of history.

The succession of the old by the new at the central level was conducted smoothly at the party's 12th National Congress in September 1982. The Secretariat of the party Central Committee headed by General Secretary Hu Yaobang was formed. Made up of people who are in their prime, the Secretariat handles the party Central Committee's day-to-day work under the leadership of the Political Bureau. Except for a few venerable and experienced revolutionaries of the older generation such as Deng Xiaoping and Ye Jiangying who still remain in the leading organs of the central authorities as required by work, some of our elder statesmen have joined the Central Advisory Commission and others have retired. The old cadres have actively supported the newly promoted middle-aged and young cadres and have passed on their experience. This smooth succession of the new to the old is of epochmaking significance in China's history and sets an example for the personnel change of the leading bodies at various levels under the party Central Committee.

The average age of the newly formed leading bodies of the various ministries and commissions under the party Central Committee and the State Council is 4-6 years younger than their predecessors. The number of ministers and vice-ministers of the 38 ministries and commissions under the State Council has been reduced by 67 percent. In the reorganized leading bodies, the newly promoted middle-aged and young cadres account for 32 percent and the number of people with a higher educational level and more professional knowledge has increased.

Leading bodies at the provincial level have held elections since the beginning of this year. The size of the provincial party committee consisting of the secretary and deputy secretaries in Sichuan, the most populous province, dropped from 14 to five. The average age of its members fell from 62.6 years to 57.1 and the number of people with college-level educations rose from 28.6 percent to 60 percent. The new provincial party committee secretary, Yang Rudai, is 56 years old. Tan Gilong, the province's previous chief leader, has withdrawn from the "frontline" and has become the chairman of the provincial advisory commission.

The new mayor of Beijing, Cheng Xitong, is 53 years old. The number of deputy mayors in the capital dropped from 16 to 6; the group's average age is 57 against the original 65; and four out of the seven members have college-level educations.

The election of the new party committees and governments of all the 29 provinces, municipalities and autonomous regions (excluding Taiwan) will be completed soon.

Today, we are guided by correct lines and policies and have a large number of younger and competent cadres to lead our hundreds of millions of people to advance on the socialist road. Although we face many difficulties on our road forward and we may have this or that shortcoming or mistake in our work,

the general objective has been set and the plan for the years before the end of the century is gradually becoming popular, conscious, nationwide action. Both the leaders and the masses are on guard against significant turmoil or the repeat of history.

The masses of people are the makers of history. The Chinese people's support for the present policies is the most reliable guarantee for the consistency of our policies.

CSO: 4020/72

NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' ON IMPROVING ECONOMIC EFFICIENCY

HK251430 Beijing JINGJI YANJIU in Chinese No. 3, 20 Mar 83 pp 38-43, 50

[Article by Zhu Tiezhen [2612 6993 5271] and Pei Junsheng [5952 0193 3932] of the Economic Research Office of the Chinese Academy of Social Sciences: "Increase Economic Efficiency and Attain the Strategic Goal"]

[Text] On the basis of scientifically summing up the rich experiences in socialist revolution and construction since the founding of the PRC, and under the premise of constantly improving economic efficiency, the 12th CPC Congress put forth the grand strategic goal for quadrupling annual gross industrial and agricultural output value across the country from 1980 to the end of this century. The congress pointed out the brilliant prospects of socialist construction in China. Following are our views on how to attain this strategic goal.

1. To Attain the Grand Strategic Goal, It Is Imperative to Take a New Road, With Improving Economic Efficiency as the Core

The 12th CPC National Congress has defined not only the grand strategic goal but also basic ways and a series of strategic policies for realizing this goal. The most important question is that the congress has further stressed the importance of shifting all economic work onto a path with raising economic efficiency as the core, and this measure should be considered as the premise for attaining the goal. This task is a result of the party's initial understanding and grasping of objective law through repeated comparisons of both positive and negative experiences in leading socialist construction in China.

1. Improving economic efficiency is the core of the change of economic strategic development in China as well as the summing up of the historical experiences of socialist construction.

In recalling the road we have traversed over the past three decades and more in developing the economy of our country, we must, on the one hand, understand that we have made tremendous achievements by overcoming many difficulties and, consequently, we have built a considerably strong material foundation; but on the other hand, we must also realize that such shortcomings

as paying no attention to economic efficiency, serious waste and low efficiency are stubborn and they have existed for a long time in our economic work. It must be pointed out that the achievements of our economic construction do not correspond with the arduous work done by the people across the country, the tremendous labor we have used, the consumption of natural resources and with the great feasibility provided by the superior socialist system for developing the economy. Statistics show that from 1953-80, the fixed assets of state enterprises grew by 2,000 percent, working capital grew by 1,800 percent and social gross products increased by 720 percent; national revenues increased by 420 percent while people's actual consumption level grew by only 1 percent.¹ Another example, from 1950-80, investments in capital construction totaled more than 700 billion yuan and the actually-formed new and additional fixed assets were only about 500 billion yuan, with a payment utilization rate of 70.4 percent. A certain part of these investments have not been able to display their economic efficiency. Over the past three decades, investments made by the state in farm capital construction totaled 77.757 billion yuan and the formation rate of fixed assets averaged 65 percent (the figure in Western countries is around 80 to 85 percent).² These situations fully show that much of our living labor and materialized labor have been wasted.

The 3d Plenary Session of the 11th CPC Central Committee has summed up the historical experiences and lessons of our country, corrected the "leftist" wrong guiding ideology in economic work and put forth the new strategy for developing the economy. These measures represent a fundamental change. And this change includes taking the improvement of economic efficiency as the basic starting point of all economic work and under the condition of less investments to keep the economy growing stably so as to bring more benefit to the people. The grand strategic goal of the 12th congress is based on this guiding ideology.

2. The strategic goal of quadrupling gross industrial and agricultural output value in no way merely means seeking output value; it also includes unifying speed with efficiency.

In particular, under the "leftist" wrong ideological guidance in the past long period, often speed was unconditionally regarded as the central goal of the economic movement. Under this situation, no attention was paid to economic efficiency and people lopsidedly sought speed, which resulted in serious waste. As we are now planning to realize the strategic goal of quadrupling output value, we must bear this lesson in mind. We must in no way solely seek gross output value, nor must we seek the so-called "high speed" which in reality is hazardous. We must strive to unify speed with economic efficiency.

At present, it is necessary to pay attention to and prevent the following two situations. In one situation, in responding to the call to quadruple output value, various regions and trades and big and small enterprises disregard their specific conditions in seeking to quadruple production. Such practice is seriously blind. Various departments, regions and

enterprises across the country have different conditions and, therefore, they must proceed from their own specific conditions; that is, they must seek truth from facts. They cannot just strive to quadruple production output value, but must also proceed from social demands and pay attention to economic efficiency. To disregard economic efficiency or to quadruple production output value at a high price is insignificant and this practice is harmful rather than beneficial.

In another situation, with the goal of quadrupling production output value, people have concentrated their attention on construction projects and building new enterprises. Of course, necessary projects must be carried out. But at present, the state's financial and material power is limited and consequently we can only concentrate capital on key construction projects; we are not in a position to carry out many projects. Our economic construction must be mainly intensive. We must take economic efficiency as the criterion for measuring the final results of all work and we can in no way expand capital construction blindly.

3. We will be able to attain the strategic goal of quadrupling production output value only when we are able to improve economic efficiency.

According to the existing financial and material power and possible growth, in order to attain the goal of quadrupling production output value, it is imperative to rely on improving productivity, on progress of science and technology and on the technical reform of old enterprises. Following the smooth development of the national economic readjustment over the past few years, economic efficiency of industrial and agricultural production has been improved. For example, from 1979-81, annual gross agricultural output value increased by 26.1 billion yuan, of which about 60 percent was the result of the growth of labor productivity. The proportion of agricultural production expenses dropped from 34.9 percent in 1978 to 31.4 percent in 1981.³ Some advanced industrial enterprises also have made good achievements. The Shoudu Iron and Steel Company recorded a drop in gross output value in 1981, yet its profit increased by 9.7 percent. It has also created a record output value profit rate of 38.25 percent, the highest level in history; the capital profit rate was 25.4 percent, 1.37 percent higher than the highest level in 1966. The profit from January-October 1982 was 309 million yuan, doubling the figure of the same period in 1978; the profit handed over to higher departments was 230 million yuan, 900 percent higher than the whole year of 1978.⁴ From the point of the whole country, economic efficiency still remains very low. Statistics show that each 100 tons of coal created 576 yuan in national revenue in 1981, only equivalent to 49.3 percent of the figure during the first 5-year plan. Labor productivity of the industrial enterprises with the ownership by the whole people in 1981 was 1.8 percent lower than 1980. Tax income and profit created per 100 yuan was 24.8 yuan in both 1979 and 1980 and dropped to 23.8 yuan in 1981, 1/4 lower than the 31.9 yuan during the first 5-year plan. Gross output value of state industrial enterprises in January-August 1982 was expected to increase by 8.5 percent over the same period of 1981; profit was expected to grow by 4.2 percent while the profit handed over to higher departments

was expected to drop by 0.4 percent. It can be seen that there is a big potential for increasing economic efficiency. It is quite possible to quadruple production output value when we are able to tap these potentials.

II. Shift Expanded Reproduction by Extension to Expanded Reproduction by Intension and do a Good Job in Technically Reforming Existing Enterprises

In order to improve the economy and realize the strategic goal, it is imperative to rely on scientific and technical progress. To shift from expanded reproduction by extension to expanded reproduction by intension is a great strategic turning point in the development of our economy and represents a key question in making the national economy to grow stably and smoothly. Statistics show that at present, industrial products in China account for more than 30 percent of the social products and the tax and profit handed over by industrial enterprises make up more than 85 percent of the national revenue.⁵ It can be seen that the existing enterprises are in a very important position in the economic life of China and they represent the most reliable, practical and efficient foundation for future economic development. To attain the strategic goal in the year 2,000 and to meet the needs in construction funds, technical equipment and technicians, we must rely on these enterprises to create, provide and train them. Therefore, we must form a guiding principle of relying on the existing enterprises and technically reform them in a planned way. Any hesitation in this aspect will result in our losing the opportunity.

Will it be possible for us to attain our predicted goal by relying on the technical reform of the existing enterprises? Yes. Our experiences and the experiences of other countries prove that technical reform of existing enterprises can be carried out with less money, in a shorter time and with quick and good economic efficiency. It can be said that in today's world, technical reforms and renewal of equipment have become an important form for promoting economic development. Statistics show that from 1947 to 1980, of the total investments in machinery equipment in the United States, 77 percent was used in renewal and the remaining 23 percent in building new factories. The investments used in renewal from 1971-1978 were as much as 81 percent. As another example, over the past two to three decades, the production capacity of the steel industry, which is one of the three mainstays of the U.S. economy, increased by 60 percent. Only two new steel mills were built, productivity mainly was used in technically reforming the old enterprises. Yugoslavia has paid attention to technically reforming and renewing the equipment of existing enterprises and consequently has been able to increase labor productivity more quickly with less investment. Statistics show that between 1953-1970, the number of enterprises in Yugoslavia was basically maintained at about 2,400. During the same period, the number of workers and staff of these enterprises increased by 170 percent and output value increased by 460 percent (calculated on the basis of unchanged prices). The Soviet Union has also used an increasing amount of industrial investments in reforming, expanding and technically reforming existing enterprises, with the proportion increasing from 51 percent in 1959 to 70 percent in 1979; the proportion for ferrous metal enterprises

was the highest, reaching 80 percent in 1979. Calculations show that 3/4 of the growth of Soviet industrial production was realized through improving labor productivity and about 70 percent of the increase of labor productivity was guaranteed by relying on improving production technical level and scientific and technical progress. Taken as a whole, the history of world economic development shows that science and technology have displayed a tremendous role in developing social productivity. Science and technology has changed the world's economy in an increasingly profound way as well as the development of modern society. It is estimated that in the first 10 years of the 20th century, only 5-20 percent of the improvement of labor productivity relied on new technology, but in the 1970's the figure increased to 60 and 80 percent.⁶

These situations are the same both in China and other countries. Take the situation in Shanghai for example. Since liberation, only 1/4 of the newly-added industrial output value of this city has relied on investments in capital construction and 3/4 on tapping the potential of existing enterprises and, in this aspect, the renewal of fixed assets has played a decisive role. Statistics over the past 3 years show that 1/2 of the newly-added output value has relied on technical progress.⁷ Medium and low voltage generating units of the present electric network across the country are now consuming 5.6 million tons of crude coal annually. If 60 percent of these generators were replaced by 200,000 kilowatt generators made by China, 11.4 million tons of coal could be saved annually while supplying the same amount of electricity. In other words, by using the same amount of coal, we will be able to produce an additional 22 billion kWh of electricity annually. And when the additional electricity is used in light industrial production, this industry will be able to increase accumulation by 19.2 billion yuan annually, and this figure far surpasses the investments in renewing generators.⁸

The above situations show that there is great potential in technically reforming existing enterprises with considerable achievements and this practice is a way to develop the economy of our country.

Of course, it is not an easy task for China, with such a great number of old and backward enterprises, to carry out technical reforms. Therefore, this work must be done well and step by step; in no way can it be carried out hastily. In our view, both the structure and equipment of the 400,000 enterprises are very complicated while the size, product structure and market position of these enterprises are also different. Therefore, it is necessary, first of all, to analyze the formation of the economic efficiency of enterprises and equipment as well as the situation of newness or oldness of the existing enterprises before various departments, regions and trades define the orientation (including the orientation of the development of various trades and their products) for their technical reforms in order of importance and urgency, work out overall plans and support the promising enterprises in a planned way. Even within an enterprise, it is necessary to carry out work in order of importance and, first of all, to solve the problem of key equipment. Second, it is imperative to understand

that the purpose of technical reform is to increase economic efficiency and not to "antiquatedly" reproduce the original equipment. Of course, according to the national condition of our country, it is not necessarily to replace all the equipment with the most advanced ones. In carrying out this work, we must follow the principle of using advanced, suitable and reliable technology with economic advantages. Key work must include decreasing consumption and improving product quality, but in no way can we blindly seek modernization. In carrying out technical reforms, it is necessary to have unified leadership and exchange information. The goods and materials that are needed by all technical reform projects included in planning must be guaranteed, special lands and special materials must be used in special projects and they must display their efficiency in due time. Third, with regard to systems and policies, it is imperative to take strong measures that will help promote the development of technology. It is also imperative to get enterprises and their staff and workers actively concerned with the technical progress of the enterprises. Old and impractical practices that hinder the development of enterprises must be eliminated and enterprises must be encouraged to employ new technology and develop new products to replace the old products within a certain time. It is necessary to introduce the principle of good prices for good products and preferential price for new products so that enterprises will have internal motive force and external pressure. Fourth, strictly control capital construction (including extension within a factory). It must be defined that with the exception of the new projects that must be carried out to solve strategic key questions and arising new industrial departments, all other new projects that are needed by various departments and regions such as building new enterprises or expanding the existing enterprises can be carried out only after approval and only when the existing enterprises fail to guarantee the needs of society after these enterprises are reformed technically. In this way, we will be able to concentrate funds for key construction and be able to avoid carrying out construction blindly and repetitiously; we will also be able to prevent the expansion of capital construction and quicken the technical reforms of existing enterprises. Fifth, in order to guarantee that the reforms will be carried out smoothly, it is necessary to concentrate funds and goods and materials and to quicken the training of talented people, and it is all the more urgent to train the present staff and workers. In January 1981, Comrade Deng Xiaoping pointed out in his speech "Present Situations and Tasks": "It is impossible to realize the modernization program without talents and knowledge." Our present situation is that a great number of staff and workers are lacking in necessary scientific and cultural knowledge and operational skills and that the number of skilled workers, scientists and technicians is far from meeting the need. This situation is seriously contradictory to the needs of the modernization program. Therefore, when measures are being taken to accelerate technical progress and technically reform existing enterprises, it is also imperative to train staff and workers in various forms so as to help them to improve their scientific and technical level.

III. Reform the Economic Management System Actively and Stably and Continue to Do a Good Job of Readjusting and Reforming Enterprises in an Overall Way

In improving economic efficiency, it is necessary to proceed from macroscopic and microscopic aspects. From the macroscopic aspect, it is necessary at present to continue to do a good job of readjusting the national economy and, at the same time, it is also necessary to resolutely reform the economic management system in an orderly way; from a microscopic viewpoint, it is necessary to spare no effort to readjust and reform enterprises in an overall way and improve production and management.

Since the implementation of the eight-character policy and through several years of readjustment work, the proportionate relations among agriculture, light industry and heavy industry and between accumulation and consumption have been basically harmonized, while the national economy has made considerable progress. But the task of readjusting the national economy is far from being completed and this work has to be carried out in a new and deeper stage.

The basic problem that has hindered the development of economic efficiency is economic management system. Since the 3d Plenary Session of the 11th CPC Central Committee, we have carried out a series of experimental reforms such as expanding the autonomy of certain enterprises and introducing various forms of economic responsibility system. These measures have been proved effective in mobilizing the initiative of enterprises and laborers and in improving economic efficiency. But the reforms are still in a stage of study and experimentation and we are not yet in a position to work out a complete and good plan for the reforms and, therefore, in carrying out reforms there have appeared contradictions such as incompleteness, delinking and disharmony. Therefore, it is necessary to conscientiously carry out study and investigations, conduct experiments, work out general planning based on reality and reform the economic system actively and stably.

In order to macroscopically improve economic efficiency, it is necessary, first of all, to reform the planned management system. We must uphold the major principle of implementing planned economy as the main and regulation by market mechanism as the supplement, use various forms of planned management over the activities of the national economy, handle well the relationship between planning and unity of the national economy and the necessary flexibility and independence of various production units so that we will be able to "control, but not rigidly, and activate, but not disorderly." And the key to realizing this is to improve the scientific nature of planned management. With science there will be accuracy and conscientiousness. It is only when we are able to work out a scientific and perfect planning system that our planning work will accord with objective reality, that planning policy will be accurate and that we will be able to achieve the anticipated economic efficiency; if this does not happen, our planning work will fail and consequently cause serious damages. In carrying out planning work, we must strive to do what Engels said: "The quantity of all consumer products must not be excessive, our grain and meat should not be

in short supply, we should not suffocate under heaps of beet sugar and die in potato wine and we should not be in a situation in which we have no trousers to wear while hundreds of thousands of buttons for trousers are pouring in."⁹ Of course, it will be very difficult for such a big country as ours with various economic forms to do this. But we have the conditions to do so or work still better. In order to improve the scientific nature of planned management, it is necessary to do the following: First, our planning work must accord with the directive of Comrade Zhao Ziyang; that is, we must study well social demands and constantly meet social needs; it is a motto for us communists. We must firmly uphold this guiding ideology.¹⁰ We must grasp the law of market change so as to direct the social economy to develop toward the direction of meeting needs. Second, as economic development in various places is not balanced, therefore, with regard to the speed of economic development of various regions, we must pay full attention to displaying regional advantages and industrial advantages; we cannot cut with one knife. At the same time, in assigning production goals, we must also leave some leeway. It is imperative for mandatory planning to pay attention to comprehensive balance; there should be no contradiction in the planning itself so that enterprises will have strength to consider their tasks for technical reforms. Third, once construction projects (they must accord with the needs of strategic key projects) are defined, it is necessary to change from the past practice of departments concentrating on distribution of investments to the practice of concentrating on projects, or concentrating on a certain department with the coordination of various departments (including regions) in organizing comprehensive balance and carry out close cooperation so that various construction (such as infrastructure) will be able to make progress simultaneously to guarantee that state accumulated funds will be used in key projects to speed up the construction of such projects and make them display their efficiency as early as possible. Fourth, it is necessary to start from the point of policy and encourage enterprises to be concerned with social needs and with technical progress. Therefore, the tasks assigned by the state for production, construction and circulation planning must be accompanied by a complete planning goal system. It is also imperative to define a complete planning goal system that accords with our national conditions, that is able to reflect the development level of the economy and society, the level of the achievements of the business of industrial enterprises and the planning goal system of people's living standard that should be reached and consequently be able to encourage enterprises and laborers to strive to realize this planning.

In such sectors as the price system, labor wage system and circulation management system, it is also necessary to carry out study, and define and implement reform plans so as to improve economic efficiency. At the same time, it is also imperative to reform the management of industry and agriculture. Effort must be made to define the management forms that are applicable in combining urban and rural areas and decreasing duplication in management and that are in the interest of fully mobilizing the initiative of production units and laborers; the roles of big and medium-sized cities in organizing the economy must be fully played. Economically advanced regions may experiment in unifiedly organizing production and circulation by combining rural

areas with urban areas, with cities as the center, so as to promote the development of rural areas. In carrying out this work, it is imperative to organize production units according to different trades. This work will help change the leadership system under which urban areas are separated from rural areas and there are many separations and channels. State enterprises, particularly medium- and small-sized enterprises, must gradually change profit into tax in a step-by-step and planned way. This measure is in the interest of enterprises to gradually display their autonomy, gradually separate administration with enterprises and free themselves from the bondage of monoleadership.

Microscopic economic efficiency is the foundation of macroscopic economic efficiency. We will be able to form a solid foundation for the improvement of economic efficiency only when we have done a good job in managing well hundreds of thousands of enterprises. Therefore, we must be resolute and work hard in comprehensively reforming and readjusting enterprises in an overall way. The enterprises with high consumption, low quality products and losses for a long period or have carried out repetitive production seriously while their products have been enormously stockpiled must be closed down, suspended, merged or shifted to other production. The main contents of reforming enterprises and perfecting the economic responsibility system must include improving management, decreasing consumption, lowering production costs and improving labor productivity. Management is the foundation for enterprise work; without good management, it will not be possible to improve economic efficiency. In short, through reforms and readjustment, enterprises must become active, must be full of vitality and consequently be able to raise economic efficiency and produce salable products so as to constantly meet the demands of society and the people.

IV. Strengthen the Concept of Value and Consciously Work According to the Law of Value

Our purpose in studying the question of economic efficiency is to produce more products that are needed by society with less labor and material consumption. The basic demand of the law of value is to save labor time, while socialist production meets social needs. Therefore, socialist economic efficiency represents the unity between the law of value and socialist basic economic law; it also represents the unity between value and use value. In improving economic efficiency, it is imperative to grasp well both value and use value. We agree with the view of Comrade Sun Yefang: "The so-called economical or noneconomical is as referred to by Marx, that is, in the comparison between labor expenses and useful results, labor expenses are value while useful results represent use value, that is, the quantity of goods. If we just pay attention to expenses and disregard results or do otherwise, we will go against economic principle."¹¹

For quite a long period in the past, China was under the influence of Stalin's wrong thesis which defined that the law of value and socialist basic economic law and the law of planned and proportionate development are contradictory to each other. As a result of this influence, part of our economic workers

neglected the role of value during a certain period. This situation is reflected in production which is characterized by lopsidedly seeking output and speed, disregarding cost and neglecting economic accounting and economic achievements. In the sector of circulation, this situation is characterized by disregarding exchange of equal value, market demand, price and balancing production and sales. Ideologically, this situation is caused by the lack of the concept of value. Thus, a lack of the concept of value is an important ideological and theoretical reason for low economic efficiency in China.

As early as in the 1950's, Comrade Sun Yefang boldly broke away with the traditional stereotype of Soviet economic theory and fully affirmed the role of the law of value under the socialist system. In his view, the role of the law of value of the socialist economy is, first of all, to promote the technical progress of socialist society and productivity through the understanding and calculation of the average labor volume needed by society. He also pointed out that the law of value has the role as production regulator or in distributing social productivity. He said: "The law of value and planned management of the national economy are mutually exclusive, but at the same time they are not parallel laws with each going its own way. Planned and proportionate development of the national economy can be realized only when it takes the law of value as its foundation."¹² It is a pity that for quite a long time no attention was paid to this creative view; on the contrary, it was regarded as a wrong theory and was consequently criticized. Such a wrong charge against this theory was clarified only after the downfall of the "gang of four."

The socialist economy is a planned economy that is based on the means of production with public ownership; but at the same time there exists the particular condition in which commodities are produced and exchanged. This particular characteristic has determined the position and role of the law of value and decided that the planned guidance of our socialist economy can in no way depart from the law of value. Comrade Hu Yaobang said in his report to the 12th CPC congress: "Both mandatory planning and guided planning must accord with reality, study and changes in market supply and demand; consciously use such economic levers as the law of value, price, tax revenue and credit to guide enterprises to meet the needs of state planning and provide enterprises with a certain autonomy. In this way, the plans can be supplemented and perfected in time when they are being carried out." These words expounded the relationship between the law of planned and proportionate development and the law of value from the point of combining theory with practice. They represent a correct principle.

But the situation in which the law of value is neglected in economic life in our country is very common. For example, some places have persisted in producing products even though they are aware that they will lose rather than gain and that the products are unsalable. Some regions have even blocked markets in a bid to protect that which is backward. In this way, they have limited and checked the circulation of commodities and, consequently, some commodities have been enormously stockpiled. We cannot talk

about economic efficiency in such a situation. If the socialist economy, coupled by the conditions for commodity production, neglects the role of the law of value, it will not be possible to maintain the proper proportion between social production and demand and in this way, planning will be characterized by serious blindness.

We know that products not only must be salable, but also be of good quality and low price. Particularly following the implementation of open-door policy by our country, international trade has been developing with each passing day, coupled with sharp competition. Therefore, if we do not study market demand and do not pay attention to labor consumption and product quality, it will be difficult to win in competition by relying on new products with only good quality and low price. A very important reason for the shortcomings and mistakes in our economic work in the past is that we neglected and violated the law of value. Consequently, there appeared such aspects as technical stagnation, a "set system" of products for dozens of years, deviation between price and value and enterprises lacking enough internal motive power and external pressure.

In the final analysis, to respect the law of value is to conscientiously treat the relationship between commodities and currency and respect the economic interest of various aspects. This is because socialist products are still commodities and they are produced for exchange and sales. Therefore, so long as we are able to correctly handle the relationship of various aspects in economic activities and calculate the investment made in production, labor consumption and profit, people will all the time be concerned with economic efficiency in carrying out economic activity. This is a good method for putting an end to the principle of "everybody eating from the same big pot" and "big iron rice bowl." It is also an effective method for overcoming what is usually talked about by people: "Enterprises report success, commerce reports the bad, warehouses are fully stockpiled and finance departments report false income."

According to the above situations, as long as we have unified ideological understanding with unified steps and are able to shift economic work with improving economic efficiency as the center, our economy will be able to develop smoothly and the grand strategic goal will be realized under the concerted effort of the whole party and people.

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NATIONAL POLICY AND ISSUES

'BEIJING RIBAO' ON 1982 ACCOUNTS, 1983 BUDGET

HK200212 Beijing BEIJING RIBAO in Chinese 6 Apr 83 p 2

["Excerpts" of report on 1982 final accounts and 1983 draft financial budget of Beijing Municipality delivered by Zhen Shude [3914 2885 1795], head of Beijing Municipal Financial Bureau]

[Text] 1. The 1982 Final Accounts

The total amount of the budget for revenue approved by the sixth meeting of the seventh congress of the people's representatives in 1982 was 4.7 billion yuan. In the course of implementing the budget, due to some policies and measures adopted by the state such as lowering the prices of some products, raising the interest rates of the bank's credit facilities and increasing financial subsidies, a portion of the budget revenue was decreased. These are new factors not envisaged in the original budget. In order to check the implementation of the budget according to practical conditions, with the approval of the State Council and later of the Standing Committee of the municipal people's congress, the 1982 budget of financial revenue was revised to 4.6 billion yuan. The result of implementing this budget was a revenue of 4,714.6 million yuan, 102.5 percent of the revised budget. Here is the main situation concerning the financial revenue:

1) In 1982, through the reform of the economic system, the reorganization of the enterprises and the planned transformation of technology, the development of the industrial and agricultural production, the expansion of the commodity circulation and the enhancement of the economic results were greatly facilitated. The total output value of the municipal industries was 22.87 billion yuan, an increase of 5.6 percent compared with the previous year. In particular, heavy industry scored a rather quick upturn and, despite the shortage of energy supply, recorded an increase of 7.6 percent over the previous year, the achieving the result of economy of energy and increase of production; as for the light industries, the product mix was actively adjusted, products suited to the needs and the markets were developed vigorously, and production was increased steadily, recording an increase of 3 percent over the previous year. An all-round bumper harvest was achieved in agricultural production. Despite rather serious natural calamities such as drought, the total grain output was in fact recorded as 3.71 billion jin, an increase of 0.1 billion jin over the previous year. The

commodity resources were abundant and the market was prosperous. The total retail sales of social commodities of the city reached 7.33 billion yuan, a 6.5 percent increase over the previous year. The production cost of comparable products of industrial enterprises was reduced by 1.32 percent. Comprehensive energy consumption per 10 thousand yuan of output value was actually down by 3 percent compared with the previous year. Of the whole city, the saving of coal amounted to 0.29 million tons; of heavy oil, 10 thousand tons; of electricity, 130 million kWh; and water 100 million tons. In technical transformation, it was arranged that over 1,300 items were to be effected during the year 1982, and nearly 600 items had been completed, which could increase output value by more than 700 million yuan and profits by over 140 million yuan. In 1982, a grand check-up on the financial affairs of the enterprises and the revenue was conducted throughout the city; dutiable items were registered and the tax resources were investigated and improved. As a result, the financial income increased by 100 million yuan that year. All this played an important role in the overfulfilment of the budget for revenue for 1982.

2) In 1982, while the budget for revenue was overfulfilled, 1.6 billion yuan were taken out of the revenue and used for supporting the development of agriculture and industry and for the improvement of the people's living standards. Of this amount, more than 330 million yuan were used for subsidies based on policy for those items such as grain, oil, cotton, coal for civilian use, liquefied petroleum gas, monthly bus tickets and pigskins; 480 million yuan were used as loss subsidy for nonstaple foodstuffs such as grain, oil, meat, eggs, poultry, vegetables and fish, and also for the loss subsidy for certain industrial products; and 790 million yuan were used as profit reserves, foundation funds for enterprises and profit after taxation. This sum was to be used by the state-run industrial, commercial, communication and agricultural enterprises for the development of production, technical transformation the collective welfare of the staff and workers, the building of living quarters and the distribution of bonuses.

The total amount of the budgeted expenditure for 1982 approved by the municipal people's congress was 1,518,541,000 yuan. In the course of implementing the budget, based on the schedule of the state plans and the practical conditions of our city, the state successively increased the allotment of funds which included funds for capital construction, funds for the potential tapping and transformation of enterprises and fees for various kinds of administration and undertaking expenses. With the approval of the State Council and later of the Standing Committee of the municipal people's congress, the budget of expenditure was revised to 2,255,175,000 yuan. The final accounts of expenditure for 1982 was 1,666,800,000 yuan, which amounted to 73.9 percent of the revised budget. When comparison was made between the final accounts of expenditure and the budget, it could be seen that the progress of fulfilment was not very fast. This was because some items of capital construction were to be completed over 2 years, and some items of expenditure were decided very late in the year, which made it impossible to use up all the funds within 1982, and they had to be carried over into 1983. Here is the main situation concerning financial expenditure:

The allocation of funds for capital construction in 1982 increased by 56.1 million yuan as compared with the previous year, with emphasis on the construction of municipal administration facilities, living quarters for staff and workers, culture, education, public health and water conservancy facilities. This year, our city is to complete the construction of 1.94 million square meters of apartment blocks (including houses built by the enterprises themselves,) 41 kilometers of roads, 89 kilometers of upper and lower ground water pipes, thermal pipes and gas pipes, increase 336 public vehicles, plant 1.7 million trees, complete 810,000 square meters of vegetation, construct 100,000 square meters of middle and primary school buildings, increase 23,000 classroom seats, and newly build or expand 8 hospital wards.

In 1982, we continued to increase expenditure for culture, education, science and public health and supported the development of various kinds of undertakings. The total expenditure in this respect in 1982 increased by 54.35 million yuan as compared with the previous year. In the past year, with respect to education, over 5,400 persons were enrolled in institutions of higher education, over 6,200 persons in vocational schools, over 5,200 persons in vocational senior middle schools, and 271,000 students in conventional middle and primary schools. With regard to public health, a further 613 hospital beds were added.

In 1982, we further supported, in terms of capital and funds, the potential tapping and transformation of the enterprises and the development of science and technology. Some 289 items of measures of renewal and transformation were arranged throughout the year. The city's achievements in science and technology numbered 567 items, 80 percent of which were put into practice or popularized in varying degrees.

The result obtained from the expenditure for the maintenance of the city in 1982 was also good. It played an active role in the improvement of the surroundings of the capital.

With regard to the expenditure in supporting agriculture in 1982, the focal points were centered on the research and popularization of agricultural science and technology, on assisting the communes and brigades to fight against drought and other natural calamities, and also to develop diversified marketing and operations.

On the whole, the situation in the fulfilment of the 1982 financial budget was good, but there were some shortcomings and problems. In the fields of production, circulation and construction, the economic results were not very satisfactory and there are still many problems to be solved. Phenomena of chaotic management of the enterprises and of serious cases of loss and waste were rather universal; also not uncommon were instances of violating financial discipline, such as "disappearing, false claiming, dripping, leaking" in the revenue, misappropriation, improper utilization and unlawful retention of income, and others; with regard to the distribution of financial resources, there existed some problems in the correct handling of the relationship between the state, the collective and the individual: with regard

to the financial systems and the financial systems of the enterprises, the phenomenon of "everybody eating from the same big pot" has not fundamentally changed.

2. The 1982 Draft Budget

The 1983 draft budget continues to implement the policy of readjustment, reform, reorganization and upgrading. On the basis of supporting the development of production and the promotion of economic results, the financial revenue should be increased. Various items of expenditure should be arranged in accordance with needs and feasibility and according to the principle of acting on the basis of one's capability. The emphasis should be placed on supporting the development of culture, education, science and public health, and also on the continued improvement of the people's living standards.

The 1983 budget for revenue stands at 4.72 billion yuan, which keeps balance with last year's actual revenue. The situation of a drop in revenue for 2 consecutive years has been improved, which is indeed a very good beginning for the improvement of the financial revenue.

The 1983 budget of financial expenditure stands at 2,218,503,000 yuan, an increase of 33.1 percent over the final accounts of last year. The scheduled main items of expenditure are:

1) The allocated funds for capital construction is 930,783,000 yuan, an increase of 43 percent as compared with the actual expenditure of last year. The increase of fund in this respect is meant for the construction and promotion of municipal public utilities, private housing based on relevant policy, culture, education, public health, public security and commerce.

2) The expenditure allocated for assisting agriculture is 93,206,000 yuan, an increase of 16.1 percent as compared with the actual expenditure of last year. The fund is to be used mainly on such items as small-scale farmland water conservancy construction, subsidy for afforestation work of the communes and brigades and for fresh water fish-farming, and the development of diversified operations.

3) The fund allocated for culture, education, science and public health is 973,019,000 yuan, an increase of 12.7 percent as compared with the actual expenditure of last year.

4) The city maintenance fund is 59,179,000 yuan, an increase of 58.3 percent as compared with the real expenditure last year. In addition, another amount of 60.3 million yuan of local additional revenue is to be used for this purpose, thus making a total of 119,479,000 yuan.

5) The fund allocated to administration and management stands at 127,934,000 yuan, an increase of 10 percent as compared with the actual expenditure last year. The increase will mainly be used for increasing the number of staff

in the departments of public security, procuratorial organs and courts of justice, and for general expenditure in these departments.

The result of the allocation of the 1983 budget is a balance between revenue and expenditure. Apart from the amount of 3,134,350,000 yuan which are to be submitted to the state in accordance with the related regulations, the municipal financial budget will have a balance of 243,206,000 yuan. Of this amount, 81 million yuan are mobile funds allocated by the state, and are scheduled to be utilized next year; as for the remaining 162,206,000 yuan, which are the balance of specialized items of last year and are not scheduled for use at present, they will be scheduled for use in the course of implementing the 1983 budget.

3. Strive for the Fulfilment of the 1983 Financial Budget

In order to attain the strategic targets of the new period put forward by the 12th CPC Congress, open up an all-round new phase of the capital's socialist modernization, ensure the fulfilment of the 1983 financial budget, and make contributions to the further improvement of the financial situation of our country and our city, the following items of work should be grasped well and be treated as the focal points:

1) Follow the correct policy formulated by the CPC Central Committee, and conduct reforms resolutely and in an orderly manner. Reforms in the financial systems, the systems of taxation and the financial systems of the enterprises should be actively carried out. In accordance with the "temporary measures for the reform of profits taxation system for state-run enterprises" recently approved by the State Council, and in conjunction with our concrete conditions, these measures should be implemented actively on the basis of the experience gained by the enterprises practicing the measure of "substituting taxes for delivery of profits."

2) The financial and economic work should be shifted to the track of focusing on raising economic results. Regarding the raising of economic results as of primary importance is the basic way to increase financial revenue. At present, the rate of capital income, the circulation rate of the floating capital, the return rate of investment in fixed assets, and the labor productivity of all the staff and workers in our city's state-run enterprises still fall considerably short of the previous best records. This is one of the most important reasons for the poor performance of our financial revenue in the last few years, and this is also the place where there are potentials to be tapped. These few rates are the primary targets for evaluating the production and construction units, and are also the key factors for increasing the financial revenue of our city, and they must therefore be grasped well.

3) The work of helping those enterprises sustaining losses to eliminate deficits must be grasped well, and various kinds of subsidies must be brought under strict control. In 1982, the total amount of losses in the city's industrial and commercial units stood at nearly 500 million yuan, which was over 10 percent of the total revenue of the city. The units sustaining

losses were mainly those in the fields of commerce, grain, supply and marketing, aquatic products, enterprises manned by labor-reform persons, and the underground railroad. Of course, the majority of the sum was in the category of losses permitted by policy, yet it also included losses caused by bad management or inadequate operations. Active measures must be taken to improve operation and management, and to change radically the situation in which fresh commodities go rotten, losses and waste are serious, and big loss gaps have to be filled. All those enterprises sustaining losses must make detailed plans listing their projected losses, and those losses caused by bad management or inadequate operations must be resolutely cut down. Subsidies permitted by the policies of the state must be granted with strict observance of the relevant regulations, and should not be increased at random.

4) Expenditure should be strictly controlled, the management of the budget must be strengthened, and the effect of utilizing capital and funds should be enhanced. In particular, the overall scale of investment in fixed assets should be brought under strict control. The planned investment should be used well, so as to ensure the accomplishment of the key projects and technical transformation. The limited capital and funds should be used in proper time and in proper places, with the final results in mind.

5) The work of monitoring the financial revenue should be strengthened, and discipline concerning financial affairs must be strictly observed. The result of last year's check up on the financial affairs of the enterprises and on taxation showed that phenomena of violating financial discipline were still serious. Many units extended the scope or raised the level of their expenditure and committed malpractices in terms of the cost, expenses, capital, taxes, reserves of revenue and appropriation of funds. A few units even openly refused to pay taxes. At present, a problem worth noting is that quite a few units invent excuses to grant bonuses and material things and share advantages between each other, which has formed a serious tendency, or a problem. Facts have proved that slackening of financial discipline and management not only scatters and wastes the state's capital and funds, but also opens a door for malpractices and gives a chance to those economic criminals who carry out corruption, stealing, speculation, smuggling and other illegal activities. Leading cadres at various levels should set a good example in observing the state's regulation and the financial systems, and educate the ordinary cadres by their good examples. Serious offences in violating financial discipline must be investigated and responsibilities should be affixed. Retaliation against those who adhere to the financial system and discipline should not be tolerated, and must be dealt with severely when ascertained.

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NATIONAL POLICY AND ISSUES

'GUANGMING RIBAO' URGES PROMOTING REFORMS

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[Article by An Chengxin [1344 2052 0207] and Yuan Mu [5913 2606]: "Push Reforms Forward Under Leadership and Step by Step"]

[Text] Since the 3d plenary session of the 11th CPC Central Committee, the work of setting things to rights in the political field and the large-scale readjustment in the economic field have been successfully carried out; at the same time, many effective reforms have also been conducted step by step in both rural and urban areas. At present, reforms in all fields of production relations and superstructure are being carried forward in a methodical way under the leadership of authorities at all levels. Old ideas, habits, institutions and methods which have become outdated are being changed; newborn socialist things are emerging one after another; the broad road leading to the four modernizations is being further opened up. This reform drive is a result of the campaign to emancipate people's minds and is needed for building the four modernizations. Therefore, it conforms with the principles of socialism.

I

Marxism holds that a socialist society needs to be continuously developed and improved, because it "is not something immutable and frozen; rather, it should be treated as a society that constantly experiences changes and reforms like any other social system."* Therefore, to build socialism, we must conduct reforms and cannot stick to old practices. Sticking to old practices reflects a rigid outlook on the world; and only reforms reflect the spirit of dialectics. In the past, we followed the dialectics governing the Chinese revolution and, through indomitable struggles, transformed the dark old China into a bright new China. Now we need to transform China from a poor and backward nation to a strong and prosperous one and need to realize the four socialist modernizations in China. So we still need to follow the dialectical law and we must be resolved to institute reforms.

*"Complete Works of Marx and Engels," Vol 37, p 443.

According to Comrade Deng Xiaoping's directive at the 12th party congress, the fundamental principle for reforms is to integrate the universal truth of Marxism with the concrete realities of China and to build socialism with Chinese characteristics.

Marxist classical works do not and cannot provide any ready-made concrete schemes for building socialism in various countries. In respect to both theory and practice, book worship and dogmatism are absolutely wrong. However, the basic theory of Marxism is universally applicable truth. For example, under the socialist system, exploiters must be expropriated; an economic system on the basis of public ownership must be established; economic construction must be carried out in a planned way so as to guarantee the proportionate and coordinated development of the national economy; the people must have the right to be masters of their own affairs and their initiative must be brought into full play; relations of production must conform to the level of productive forces and so must superstructure to the economic basis; the principle of distribution according to work must be effected; productivity must eventually be higher than that in a capitalist society; when building material civilization, at the same time efforts must also be devoted to the building of a high degree of socialist spiritual civilization; and so forth. All these basic principles must not be violated. Otherwise, there will be no socialism, let alone the realization of the four socialist modernizations.

To apply the universal truth to the practice of building socialism in China and to the reforms we are carrying out means that we must proceed from reality, or the actual conditions, of our nation. The national condition is a concept with wide implications. A social system constitutes the most important part of the national condition. Ours is a socialist country. Our reforms must be carried out under the premise of adhering to the basic system of socialism. Concrete systems, policies and methods, which are unfavorable to the building of Chinese-style socialism, to the development of productive forces and to the performance of the people's initiative, should all be changed in the course of reforms. At the same time, the basic socialist system must be continuously consolidated and improved through these reforms. If we deviate from this basic precondition, our reforms will be led on a wrong course. National conditions also have many other contents. For example, ours is a big country with a population of 1 billion people, among which 800 million people are peasants; our nation has experienced a long history under the feudal system; at present, its levels of economy, education and technology are still fairly low; developments in different areas and among different nationalities are uneven; previously, our socialist construction has undergone many twists and turns; the people eagerly hope to realize the four modernizations through their efforts; and so on. In addition, various departments, localities and units have more concrete conditions of their own. All this cannot be neglected in our reforms. To carry out reforms, it is necessary to study other nations' experiences in building socialism and to take as reference some experiences of capitalist nations in managing their economies; but we should never mechanically copy any other nations' patterns. The fundamental principle

is still to act under the guidance of the universal truth of Marxism and to proceed from reality in handling everything. We must think independently, emancipate our minds and seek truth from facts. Otherwise, our reforms will not be successful.

II

Responsible comrades of the party central leadership and the State Council have repeatedly pointed out that our reforms must be handled in a comprehensive and systematic way and must be carried out in a resolute, orderly and step-by-step manner under the leadership of the authorities at all levels. This is a guiding principle of great importance.

The realization of the four modernizations needs great improvement of productive forces. However, many unreasonable factors still exist in the systems, manners and methods of management in all fields of our work and have seriously hindered the development of productive forces. Some of these systems and methods were adopted generally on the basis of other nations' patterns in the early days of the PRC when we were short of experience. They suffered from an inherent shortage at the beginning and were further dislocated due to the influence of the "leftist" guideline and, particularly, the destructive role of the 10-year domestic turmoil. Therefore, many maladies have been existing for a long time.

Let us first view the problems with the economic systems. In the past, our ownership system was not in keeping with the developmental level of productive forces. We improperly pursued "bigness in size and a high degree of public ownership." In the countryside, we forced the so-called "poor transition" and forbade the existence of private plots, household sideline occupations and fair trade; in cities, we centralized economic operations to too high a degree and denied the necessity of individual and collective economies. In respect to the management institutions, we used to place improper stress on centralization and unity, considered that economic activities should all be brought under the control of planned management and denied the necessity of regulation by market mechanism. As a result, financial departments controlled all revenues and expenditures; material departments controlled all purchase and sales of goods; foreign trade departments controlled all imports and exports; and commercial departments had the exclusive right to monopolize all business in their fields. In respect to the relationship between the state and enterprises, the state used to bring enterprises under excessively rigid control; while enterprises were short of due power to make decisions for themselves. In respect to the relationship between central departments and localities, decisionmaking power was not properly centralized and decentralized as it should be, and responsibility and authority were not clearly designated between central departments and localities and between different departments. As a result, people were used to wrangling and buck-passing. In respect to distribution, the practices of "eating from the same big pot" and "holding iron rice bowls," which represented some practices of egalitarianism, were prevailing. Under these circumstances, no clear distinction between merits and demerits could

be drawn and no strict and fair rewards and punishments could be meted out. All these problems in the economic systems have been gradually solved through reforms and the economic readjustment in the past few years, and marked results have been achieved. But this is never enough. The economic readjustment in the previous period has created necessary conditions for advancing reforms to a more extensive degree. We must continue to implement the principle of readjustment, restructuring, consolidation and improvement in an all-round way, speed up the pace of reforms, fully mobilize the enthusiasm of all parties concerned, further enliven our economy and promote the development of productive forces.

The reform of the economic systems is inseparable from the reform of the administrative structure. Under the previous administrative structure, it was very difficult for us to effectively lead and organize economic construction throughout the country, because many barriers existed between different departments and localities with each of them going its own way in conducting construction and protecting its own economic interests. As a result, it was difficult to handle socialized production and rationalize enterprises' structure. It was also difficult to eliminate the serious waste caused by repetitions of factory construction, production and scientific research. If we do not reform this administrative structure, our reforms of the economic systems will be very difficult and will not easily bring about good results.

In order to smoothly carry out reforms of the economic systems, the administrative structure and other institutions, it is necessary to do a good job in reforming leading organs at various levels. The structural reform of the central state organs, starting last year, has brought about initial results. The structural reform at the provincial level is also being vigorously carried out. All this is completely necessary. Due to various historical reasons, a number of long-standing problems, such as unwieldiness, the excessive number of levels, overstaffing, aging of leaders and low efficiency, exist in our leading organs at all levels. This situation not only can easily engender bureaucracy, but in particular, it is also very unfavorable to the cultivation and promotion of talented people. Practice has proved and will continue to prove that the smooth development of the present structural reform and the work of making our leading bodies more revolutionary, younger in average age, better educated and more professionally competent have constituted a decisive step for the vigorous development of effective reforms in all fields.

The above-mentioned facts show that interrelated problems which affect one another exist in many aspects and links of our management system. Therefore, reform cannot be carried out in a single aspect or a single link; rather, it must be carried out in a comprehensive and systematic way with an overall viewpoint and work in all fields must be properly coordinated and arranged.

We should also deeply realize that a comprehensive and systematic reform is a very complicated and arduous task. We must carry it out after careful consideration in the spirit of seeking truth from facts and being highly

responsible for the people. Our minds must be emancipated and our attitude must be resolute; otherwise, the reform cannot be started and cannot be furthered. At the same time, we must guard against recklessness in our actual work and must have a true picture of affairs in our minds. We should advance our work step-by-step through pilot schemes and promote it by stages and in groups. We must try our best to avoid blindness and prevent reckless mass actions and we must never enforce uniformity in various units disregarding their specific conditions. Some of our cadres and the masses have expressed their wishes: 1) reform must be carried out; otherwise, we can hardly move forward; and 2) we cannot launch another "Great Leap Forward," and must bear the past lessons in mind. We should highly value their wishes. That is to say, we must resolutely carry out reforms, but this must be done in an orderly manner under the leadership of the authorities.

III

Members of the communist party, who take dialectical and historical materialism as their outlook on the world, should be the most sincere and bravest reformers. Most of them, together with the masses, are now actively participating in the practice of reforms. They use their brains and work out various projects for changing the old into the new. In the course of reforms, some comrades cannot fully emancipate their minds and cannot act rapidly for a time. This is not something puzzling; rather, it is inevitable due to some given historical conditions. The only way to solve ideological problems of this kind is to adhere to the principle of persuasion and education so as to patiently guide these people to a correct course. We must actively and seriously train our cadres. This is an imperative condition for laying an ideological and organizational basis for success in the comprehensive reform.

In the past, our party committee "leftist" mistakes in its guidelines. During the 10-year domestic turmoil, Lin Biao and the "gang of four" pushed the "leftist" mistakes to the extreme. They rigged up sham Marxism and attacked Marxist things as revisionism, and criticized socialist things as capitalism. This situation indeed confused some of our comrades, and they have not yet, even now, sorted out the criteria for distinguishing rights from wrongs. They are apt to regard some non-socialist things as immutable regulations and to treat new things with a socialist character appearing in the course of reforms as something like heresies. This is obviously because the "leftist" ideas are still doing mischief in their minds. Some other comrades are deeply influenced by the habit of petty production. A typical characteristic of this force of habit is to stick to old ways and to be content with things as they are. People influenced by this force of habit always form many immutable "conventions" in their minds so that they are just accustomed to the old practices and refuse to accept any new things. They think that everything should be always kept constant. Our management system also helps engender selfish departmentalism among some comrades, especially some responsible cadres of departments, localities and units. They tend to hanker after selfish interests of their own departments,

localities and units, so it is very difficult for them to soberly realize and accept those reform measures which are necessary and feasible from an overall viewpoint. In addition, because our principle of democratic centralism was violated in the past, coupled with those practices of mixing rights with wrongs and merits with demerits, some comrades thus lost the ability to think independently and the courage to show their initiative. Hence, they have no courage or are not willing to deal with issues concerning reforms.

These ideological conditions are not suited to the requirements of the reforms. They are not in keeping with the masses' wish to speed up the pace of the reforms. So we must promptly change these conditions. Every one of our party members and cadres must fully understand that the four modernizations will not be realized if we do not carry out reforms and that the process of building the four modernizations must be one of continuously carrying out reforms. The great changes in our countryside after reforms have convincingly proved this point. Under the guidance of the line laid down by the 3d plenary session of the 11th CPC Central Committee and under the leadership of our party, the 800 million Chinese peasants have broken through the bonds of the "leftist" ideas and have established various responsibility systems of contracting output targets to households according to their local conditions. These systems conform well to the developmental level of rural productive forces. Because of the party central leadership's resolute support and correct guidance, peasants' creations and reforms have been rapidly and healthily popularized throughout the countryside as a whole. The long-standing stagnant situation in rural areas has thus been brought to an end. The peasants' livelihood has been improving year after year. The reform in agriculture has enlightened people's minds and has promoted reforms in the economic field and all other fields. Of course, as compared with things in rural areas, we have different conditions in cities with regard to the ownership system and the developmental level of productive forces. The economic structure, enterprises' setup and product lines in cities are much more complex. The relationships between various trades and between various enterprises and institutions in cities are more complicated. Our party is much more familiar with the countryside and agriculture than with cities and industry and commerce. All this determines that we should never mechanically apply the experience in rural and agricultural reforms to the work in cities and to industry and commerce. The reforms in cities and in industry and commerce are more arduous and must be carried out more carefully and gradually. We should never try to accomplish all reforms in one move. Fully realizing this point can help us overcome blindness and heighten awareness so as to correctly and effectively carry out reforms in a resolute and orderly manner.

In short, in view of the new situation, all of our comrades must further emancipate their minds in the practice of reforms, eliminate the influence of the "leftist" ideology, cast away petty producers' habitual force of sticking to the old ways and overcome selfish departmentalism and other erroneous ideas. We must dare to think and dare to explore new ways, standing on the forefront of reforms on our own initiative. We must, under the leadership of the party central leadership and the State Council, unremittingly carry forward reforms in all fields in an orderly way.

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NATIONAL POLICY AND ISSUES

'RENMIN RIBAO' PRINTS YANG BO ON LIGHT INDUSTRY

HK250838 Beijing RENMIN RIBAO in Chinese 22 Apr 83 p 2

[Article by Yan Bo, minister of light industry: "How Should the Light Industrial Departments Handle the 'Six Priorities' Stressed by the State?"]

[Text] The CPC Central Committee and the State Council recently stressed again that the "Six Priorities" policy should be further implemented in light industrial production. This has concretely manifested the party and the government's concern for the people's life, and their deep concern for, and support of, the work of the light industrial departments. What should we do since the central authorities have attached so much importance to light industry?

We Must Change the Situation of Making No Changes for Decades as Quickly as Possible

Since the 3d Plenary Session of the 11th CPC Central Committee, light industrial production throughout the country has undergone rapid development as a result of adjusting the proportion between light and heavy industries and putting the development of consumer goods production in an important position. Consequently, the broad masses of consumers can have a greater choice in buying commodities. This is the best situation for many years and the people in town and country are all very happy with it. However, light industrial departments must not be contented with the existing situation and must clearly understand that our work still lags quite far behind the needs of the people.

The chief problems of light industrial production at present are: the quality of products is not high and their patterns and varieties are few. In the past few years, the quality of light industrial products has been raised to a certain extent and the patterns and varieties have also been increased. However, on the whole, we have mainly endeavored to increase quantity and have not made enough efforts in raising the quality and increasing patterns and varieties. This is an important cause of slow-selling and stockpiling of some light industrial products and the slow growth in production. According to statistics of Liaoning First Light Industrial Bureau, the the first quarter of this year, the production of 20 kinds of products dropped, with a decrease in output value of some 30 million yuan. About 80 percent of these products are unsalable. Another example is the Tianjin Municipal Pen Company. Its

production in the first quarter of this year was 21 percent less than the same period last year. The chief cause was that varieties were few, patterns were old and the quality of some of the pens was poor so that the consumers were not willing to buy them. The same situation exists in other localities.

We must further correct the guiding ideology in light industrial production in light of this new market situation, and must shift our attention from increasing quantity and output value alone to putting quality first and increasing patterns and varieties in order to increase economic returns and to make light industrial production continue to grow healthily and steadily, meet the increasing needs of the consumers and consolidate and develop the favorable momentum which has just appeared in the "buyers' market."

We Must Depend on Technical Progress in Developing Light Industry

Low quality and few patterns and varieties of light industrial products are of course related to guiding ideology but another important cause is outdated equipment and backward production technology and processes. When I was carrying out investigations in Tianjin not long ago, I visited more than 20 light industrial factories. Many of them are still using technology and equipment of the 1940's and 1950's and even those of the 1920's and 1930's and their production processes are very backward. If this is the case in Tianjin, we can well imagine the situation in other places. Through making investigations, I deeply feel that it is very difficult and even impossible for us to improve the quality, increase patterns and varieties and reduce the consumption of raw materials and fuels if we depend on this kind of technology, equipment and production processes. If we say that in the past, we depended on this old equipment and these processes and were able to cope with our work because increasing quantity was the main problem we were to solve, we must be determined to conduct technical reforms and to update the equipment because from now on, our attention should mainly be focused on improving the quality of products and increasing patterns and varieties. (Of course, it is also necessary to grasp this link in solving the problem of quantity.) Otherwise, we will not be able to improve our products, make progress or constantly upgrade our products. I think that on the one hand, we must have a good understanding of the importance and urgency of technical reforms and earnestly adopt the method of intension in increasing production, and on the other hand, regarding the growth rate of light industry in the coming few years, we need not demand for overfulfillment by a big margin in addition to ensuring the fulfillment of unified state plan so that enterprises can have more time and better leadership in solving problems of quality, patterns and varieties and problems of updating equipment and technical reforms.

From a long-term point of view, we should grasp essential links in depending on technical progress for light industrial development. This means that we must speed up light industrial education and make great efforts in training technical personnel. Compared with other industrial departments at present, the number of scientific and technical personnel in light industrial departments is the smallest, accounting for only slightly more than 1 percent of the total number of workers and staff members. This situation cannot meet the needs for developing light industry faster and better and we must make up our minds to change it. We should gradually increase investment in education

and scientific research, earnestly do a good job in running existing light industrial colleges, universities, secondary technical schools, technical schools and scientific research institutions and train more capable people. We must grasp firmly the work of educating workers and giving them technical training in order to improve their technical skills. We must rationally organize and make use of the existing technical forces. We must further implement the policy for intellectuals in order to give full play to their enthusiasm. Besides, we should foster closer ties among colleges, universities and research units. We should set tasks for them and let them do the work themselves. We must give them reasonable payment for the fruits of their scientific research.

We Must Raise Management Level and Carry Out Production According To Needs

We must do a good job of market investigation and consumption forecast and strengthen sales and information feedback. In accordance with changes in supply and needs in market, we must readjust in good time product mix, set-up of enterprises and technical structure, raise management level and adaptability and organize production according to needs. Facts have proved that the reason why some products are slow-selling is not that the people do not meet these kinds [words indistinct] that they do not like their patterns and varieties. For a period of time last year, leather shoes were stockpiled in Tianjin Municipality. Shoe factories concerned carried out market investigations, solicited opinions of consumers and organized people to design new products in good time. They also endeavored to produce goods in small quantities but with a great variety. This quickly made their products easily marketable. Similar examples can be found in various localities. This has reminded us that: we cannot simply sell what we produce as what we did in the past but must strengthen market investigation and forecast, regularly readjust product mix and continuously meet the growing needs of consumers by producing goods with good quality, new specifications, new patterns and new varieties. It will not get us anywhere if we stick to conventions.

For some time, newspapers have often published readers' letters criticizing poor quality of some light industrial products. Light industrial departments and factories concerned in various localities should take this seriously, improve their work in good time and strive to improve the quality and increase the variety of their products so that they will be oriented to the market. In making arrangements for production, we must adhere to the principle of giving priority to products of good quality and use our limited sources of raw materials and fuels mainly on the production of goods with high quality and well-known brands and on developing new products. In short, we must continue to implement the policy of "readjusting, restructuring, reorganizing and upgrading" and in the process of doing so, blaze a new path which ensures practical speed, better economic returns and more benefits for the people.

NATIONAL POLICY AND ISSUES

'RENMIN RIBAO' ON CRUSHING SITUATION OF 'BIG POT'

HK261143 Beijing RENMIN RIBAO in Chinese 22 Apr 83 p 5

[Article by Yu Ping [1471 1627]: "On Eating From the Same Big Pot"]

[Text] The practice of eating from the same big pot has brought about quite a few drawbacks in the economic field of our country. With the introduction of the system of contracted responsibilities with payment linked to output, the problem of eating from the same big pot in the rural economy of collective ownership has been mainly solved. The 800 million peasants have had their hands and feet unfettered and beam with enthusiasm. Now, a major task ahead of us is to wipe out the practice of "big pot" existing in the economy of the whole people ownership so as to arouse the initiative and creativeness of the workers to the utmost. This is the key link in further emancipation of productive forces and the central problem in reform of the economic managerial system and wage system in our country.

The fundamental tenets of Marxism tell us that the most powerful productive force is the working class itself, and it is the broad masses of the people who are able to build a socialist society full of vigor and creativeness. The workers and staff working in enterprises of the whole people ownership throughout the country and in enterprises of collective ownership in cities and towns, plus individual traders and peddlars in cities and towns total more than 100 million. They are a mighty productive force. We usually say that we must tap the potential of expanded reproduction. As a matter of fact, the 100 million-odd laborers have potentially inexhaustible enthusiasm. The question of bringing all potentialities of enterprises into full play is indeed that of how to give full play to the role of these laborers. However, the practice of "big pot" greatly dampens and suppresses their enthusiasm.

In recent years, progress has been made in crushing the situation of "big pot" in enterprises of the whole people ownership in our country after carrying out a series of experiments in extending more decisionmaking power to enterprises, introducing the economic responsibility system, resuming piece rate wage payment and substituting tax payment for profit delivery. Meanwhile, the problem of "big pot" in large state-run enterprises in cities is also being solved step by step. Nevertheless, the reforms that are slogging along are merely initial and partial. The whole structure and system of "big pot" have not yet been shattered to the roots.

The practice of "big pot" existing in the economy of the whole people ownership is reflected in two aspects. The first is equalitarianism in allocation of production facilities and materials by the state to enterprises. The second is equalitarianism in the distribution of individual income by enterprises to laborers. The former is the concentrated expression of drawbacks in the current economic management system, and the latter is the concentrated expression of drawbacks in the current wage system.

The essentials of China's economic managerial system were introduced from abroad at the early stage of its founding. Such a system is based on the principle that the state is regarded as a large, unified accounting unit, and the scope of commodity exchange is restricted to the utmost. State-run enterprises are thus regarded as appendages of state organs, fixed assets and circulating capital. Land and mineral resources are given gratis to them by the state. In short, the state does everything for them such as working out overall plans for production, monopolizing purchase and marketing of products, handling all financial affairs, making arrangements for the work force and paying wages at a standardized level. All profits of enterprises should be delivered to the state and their current expenditure is paid by the state. The state allocates to enterprises fixed assets, circulating capital, natural resources and labor force. Enterprises carry out production only according to state plans, but are not economically responsible for their products, no matter whether they are salable or not. Such a highly concentrated managerial system in fact separates power from responsibility and profit and separates economic interests from business results. In adopting such a managerial system, we handle all economic relations between the state and enterprises as we practice the supply system during the revolutionary wars and in the early days of the People's Republic, and in accordance with the principle of equalitarianism as well. This system takes no account of economic results but guarantees enterprises "stable yields despite droughts or floods." Thus, enterprises do not have any aggressiveness and initiative because they lean on the state and eat from the same big pot.

In the early days of the People's Republic, our wage system was reformed twice in light of the principle of distribution according to work. Since then, salaries had not been readjusted for a long time. On the contrary, criticism was continuously made of material benefits, "the bourgeois rights" and the practice of "three highs and three famous," the voice for adopting the supply system became loud again, and the piece rate wage system was abandoned. All these made the gap between workers' ability and their deserved rewards much wider. Thus, a situation of eating from the same big pot and equalitarianism came into being. According to the fundamental tenets of Marxism, every individual laborer should gain all the surplus after his labor value is deducted by society. The practice of equalitarianism in distribution among laborers is in fact a negation of difference in their ability and contributions. Such a practice is a reward to the lazy and a punishment to the diligent. Some people thus make do and mend and drone away the time day in and day out. This seriously chills the enthusiasm and creativeness of laborers. The Chinese people are known for their diligence and wisdom. But the system of "big pot" has made their diligence slacken.

So long as the practice of "big pot" is not shattered, progress can hardly be made in economic development.

A viewpoint argues that since the means of production belongs to all the people, they should eat from the same big pot. This is a manifestation of the advantages of socialism. Another viewpoint says that our people have to eat from the same big pot because we have a very large population and a low level of productive forces. Such viewpoints show that some people misunderstand the principle pertaining to the socialist system.

To this day the socialist system is still the most advanced social system in the world. The concentrated expression of its superiority is that all laborers, freed from exploitation, are offered equal rights to participate in work and enjoy the distribution according to work on the basis of public ownership of the means of production. The socialist system is not a system which makes no difference between diligence and laziness and encourages all people to eat from the same big pot. Marx said: "Any distribution of the means of subsistence is nothing but the result of distribution of production conditions." ("Collected Works of Marx and Engels," vol 19, p 23) Public ownership of the means of production necessarily leads to distribution according to work and should in no way result in eating from the same big pot. The emergence of the practice of "big pot" in our country was not caused by public ownership of the means of production, but came from a serious misunderstanding of the ownership. Those who argue in favor of the practice of "big pot" by stammering out the excuse of public ownership of the means of production are still entangled in such a misunderstanding. Equalitarianism is not of socialism. Equalitarianism and the idea of eating from the same big pot are in nature a kind of small producers' ideology. Under the social system of private ownership, small producers are usually divided into two opposing extremes. On the one hand, they are jealous of the richness of others and hope to share their wealth. On the other hand, they worry themselves to bankruptcy and long for a society which can provide them with eating from the same big pot. This indeed is an unrealistic fantasy. Equalitarianism and the practice of "big pot" hinder productive forces from going further. They do not reflect the superiority of the socialist system, but prevent it from being given full play.

It must be admitted that the emergence of the current situation of eating from the same big pot is closely related to the objective conditions of large population and low level of production forces in our country. The problem of employment today is still a major and complex social problem. A job for everyone is an expression of the superiority of the socialist system. Limited staff in enterprises and high level of labor productivity always breed a big crowd of unemployed in society. We should not adopt the method which is applied in capitalist countries. However, the aforesaid should not be taken as an excuse to keep up the practice of "big pot." To solve the problem of large population and low level of productive forces, we should arouse people's enthusiasm to promote social productive forces as quickly as possible instead of intensifying the practice of "big pot" and equalitarianism. The longstanding practice of "big pot" in the rural areas caused our agricultural production to stagnate for a long time; peasants in some places toiled all the year round without enough to eat and wear. Thanks to the introduction of the responsibility system in agricultural production over the past few years, such a situation has changed rapidly. Initial success has also been made in some enterprises in cities and towns in restricting the practice of "big pot." These facts

show that it does not follow that the practice of "big pot" is the solution to the problem of large population and low level of productive forces. The socialist principle of distribution according to work is widely applicable. Both developed countries and underdeveloped countries should follow this principle if they want to build socialism. Violation of the principle will surely impair the development of the socialist cause. This is an important experience for us. Of course, proper application of the principle must be based on the actual situation of each country.

Crushing the situation of "big pot" is a radical reform in relations of production and an important step in perfecting our socialist system. At present, to reform the distribution system is mainly to overcome equalitarianism and to implement the principle of distribution according to work, the principle of more pay for more work and the system of rewards and penalties so that the enthusiasm of all laborers will be fully aroused to stimulate economic development. These are the earnest aspirations of all laboring people. In abandoning the practice of "big pot," we have to readjust a series of economic relations between the whole people owned enterprises and their workers around the problem of distribution. This will inevitably encroach on the economic interests of some people and units. There will surely emerge all kinds of obstructions, in particular disruption caused by the "leftist" ideology and force of habit. Therefore, leaders must stand up to all possible difficulties.

Crushing the situation of the "big pot" has a direct bearing on the interests between the state, the collective and the individual and on the vital interests of the laboring people, so we must take a positive and prudent attitude in work, particularly when we deal with the problem of salaries and fringe benefits. We must act strictly in accordance with the principles and policies of the central authorities and work in a planned way.

We must first gain experience in a few experimental units and then unfold it step by step. Reforms which involve the interests of all must be carried out according to the overall plans of the central authorities. To maintain and develop a political situation of unity and stability is the essential prerequisite for all our work and the basic guarantee for all our reforms. Any of our reforms must be helpful and not detrimental to unity and political stability. The successful experience gained in rural reform is important to the reform which is to be carried out in the economy of the whole people ownership. However, due to the difference between the two ownerships, the methods and steps which might be adopted in the reform of the economy of the whole people ownership, as well as the ensuing influence, will be different. Generally speaking, it is not necessary for the state to make arrangements for the surplus labor after the introduction of the responsibility system in rural areas. However, proper arrangements must be made for the placement of the staff who will be cut down from factories and other enterprises. Such a problem should not be handled in haste for fear of impairing the stable political situation and hindering the progress of reforms. Taking proper and steady steps will not slow down reforms but will speed them up.

To crush the situation of "big pot," we must clear up a series of misunderstandings caused by "leftist" ideology and wipe out many wornout ideas; so

we must do painstaking ideological work. We must explain clearly to the masses that socialism must follow the principle of distribution according to work and more pay for more work. Under the system of distribution according to work, it is normal that there is a difference of richness among the laboring people in a socialist society and the division into two opposing extremes among small producers in the society of private ownership. The socialist principle of distribution according to work should by no means be viewed as same as the equalitarianism of small producers. Meanwhile, we must educate the laboring people to properly handle the relationship between the state, the collective and the individual and the relationship between immediate and long-term interests. All laboring people must know that our reform to cast away equalitarianism is aimed at arousing people's enthusiasm, increasing material wealth and making more contributions to the state and society. We should not plead reforms as an excuse for encroachment on the interests of the state and consumers. Ideological education is always the key link in uniting the whole party for great struggles. It is also the key link in carrying out our reforms successfully.

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ECONOMIC PLANNING

XINJIANG'S ECONOMY SHOWS ALL-ROUND DEVELOPMENT

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[Text] Urumqi, 23 Apr (XINHUA)--Xinjiang, the westernmost region of China, increased its industrial and agricultural output value by 58 percent between 1977 and 1982, with an annual average of 9.6 percent, of 1.5 percent above the national rate.

This was announced by Ismail Amat, chairman of the Xinjiang Uygur Autonomous Region People's Government, in his report to the first session of the region's Sixth People's Congress which opened here today.

Ismail Amat said the region's light and textile industry output in 1982 was 3.15 percent above 1980, while the value of heavy industry output rose by 10.4 percent.

Total grain output was 3,965,000 tons, an increase of 103,500 tons, while cotton output was up by 84.5 percent. Both total production and average yield of the major crops hit their all-time high, Ismail Amat said.

The region's livestock increased by 9.9 percent, to 29.37 million head, and output of meat increased by 17.8 percent, to 141,000 tons.

The region's 1982 revenue was 59.5 percent above projections, the chairman said, recovering from the decline of the three previous years. More than one-fourth of the region's total expenditure was devoted to education, science, culture, public health and sports.

At the same time, local living standards have been improved, he said. Last year's average income per peasant was 33.8 percent above 1980. The region's retail sales were 22.4 percent greater, and total savings deposits in the urban and rural areas reached 1,750 million yuan, for an increase of 62.9 percent of 1980.

Some problems remain to be solved, Amat said. The growth of grain output has not been high enough, the economic performance of industrial enterprises has not been satisfactory, and some of the industrial products do not suit the rising needs of the consumers, he said.

CSO: 4020/72

ECONOMIC PLANNING

HUANG ZHIZHEN ON PROVINCE'S ECONOMIC TASKS

HK190216 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 18 Apr 83

[Excerpts] Hubei Acting Governor Huang Zhizhen spoke on the basic tasks of the sixth 5-year plan in his government work report made at the first session of the sixth provincial people's congress. He put forward the targets to be attained by the province by 1985. These are: The province's total industrial and agricultural output value should reach 47.6 billion yuan, rising at an annual average rate of 7.4 percent. This is higher than the demand for the whole country. Total value of agricultural output should be 14.6 billion yuan, rising at an annual average of 6 percent, and total industrial output value should be 33 billion yuan, rising at an annual 8 percent. Apart from construction projects whose investment has been directly arranged by the central authorities, investment in fixed assets by units under ownership by the whole people should increase progressively up 5 billion yuan. During the sixth 5-year plan, spending on developing education, science, culture and public health is planned at 4.45 billion yuan, a rise of 68.6 percent over the 2.64 billion yuan in the fifth 5-year plan. The province should strive for balanced budgets with a slight surplus.

Comrade Huang Zhizhen said: This year total value of Hubei's agricultural output should reach 14.4 billion yuan, an increase of 5 percent over last year. The province should strive for grain output of 41 billion jin and cotton output of 8.2 million dan. Diversification should develop still faster. We must further stabilize and perfect the system of contracted responsibilities with payment linked to output, with contracts for each household as the main form. We must further organize the contracts well and solve problems in the relationship between unified and separate management.

Comrade Huang Zhizhen said: Specialized households, households doing specialized jobs, and new economic combines represent the new economic development trend in the rural areas. Hubei now has 750,000 specialized households and households doing specialized jobs, which are undertaking contracts. This accounts for 9 percent of the total number of rural households. There are over 50,000 new economic combines. We must enthusiastically provide support for these households and combines.

Comrade Huang Zhizhen said: We must continue to implement the principle of actively promoting diversification without the slightest relaxation in grain production. We must step up research and popularization of agricultural science and technology, and raise scientific cultivation to a new level. We must persistently carry out agricultural capital construction and strive to improve the production conditions.

Comrade Huang Zhizhen said: We must rely on the progress of science and technology in order to attain the vast goal of quadruplication. In relying on science and technology, we must explicitly affirm that the intellectuals, in common with the workers and peasants, are a force to be relied on in the socialist cause. We must seriously implement the policies on intellectuals and mobilize the initiative of science and technical personnel. The first thing in implementing the policies on intellectuals is to handle properly the issue of administration and employment of scientific and technical personnel. We must gradually promote the system of advertising for specialized technical personnel. We must seriously help to solve problems in work and daily life of scientific and technical personnel.

Acting Governor Huang Zhizhen said: The question of having cities administer counties is at present the subject of comparison and exposition between various different schemes. The best scheme will be selected on the basis of taking into full account the economy, geography, communications, water systems, mineral resources, and development prospects of the prefectures, cities and counties concerned, and also on the basis of considering a rational economic setup for the whole province. Drawing up of this plan will be completed by the end of September.

Huang Zhizhen said: To amalgamate prefectures and cities and have cities lead counties in areas where the economy is relatively developed helps to bring into full play the role of the cities as economic centers, to strengthen economic ties between urban and rural areas, and to organize and develop production in a rational way. He said: We should act according to local conditions. Some cities should administer more counties, and some should administer less. In some places the existing prefectural set up will be retained, with the prefectural commissioner's offices functioning as special agencies of the province. After cities subordinate to prefectures are amalgamated with the counties where they are located, the cities will administer them in a unified way, and such counties will be abolished. This reform should be carried out in combination with the structural reforms in the prefectures and cities.

After city administration of counties has been effected, in order to change the situation of divisions between departments and regions at different levels and better help the key cities to organize production according to the principle of economic rationality, a number of enterprises subordinate to the province will be gradually transferred down to the cities in a planned way; these cities will carry out overall planning and organize their production in a unified way. The province will gradually unfold next winter and spring the work of establishing township governments and changing the system of integration of government administration with economic management on the people's communes, on the basis of summing pilot project experiences. We should strive to complete this work next year.

CSO: 4006/454

ECONOMIC PLANNING

ANHUI VICE GOVERNOR ON 6TH 5-YEAR PLAN GOALS

OW240638 Beijing XINHUA in English 0243 GMT 24 Apr 83

[Text] Hefei, 24 Apr (XINHUA)--Su Yu, vice-governor of Anhui Province, said the province, a principal grain-producing area of China, will focus on agriculture development in the coming three years.

"The province will further stabilize and improve the worker-quota system, popularize and apply science and technology in agriculture, and develop the commodity economy," he stressed.

Speaking yesterday at the first session of the sixth provincial people's congress Su said that grain yield in 1985 is to reach 20.5 million tons, 41 percent more than that in 1980; cotton yield will reach 200,000 tons, an increase of 63.9 percent more than that in 1980; and vegetable oil will increase to 1.255 million tons, 126 percent of increase compared with that in 1980.

The coverage rate of forest will be increased to 18 percent of the province's land in 1985 from 15.2 percent in 1980.

The vice-governor said that his province will realize the goal of 400 kilograms of grain per capita in 1985.

He said that the total value of output in agriculture last year increased by 6.6 percent compared with that of the previous year despite natural disasters in some regions in the province. Grain purchases by the state exceeded five million tons and per capita income in rural areas reached 269 yuan, registering 45.5 percent increase above the previous year.

Su said that the provincial government will speed up the construction of fertilizer bases in Tongling, Maanshan and Lujiang in the next three years so as to supply more fertilizer to farmers.

In agricultural construction, Su Yu said, the irrigation area will expand to 2.8 million hectares up to 1985, and the provincial government will make an arrangement to step up the construction of commodity grain centers in eight counties.

CSO: 4020/72

ECONOMIC PLANNING

HUANG JINGBO ON 5-YEAR PLAN, AGRICULTURE

HK210344 Xining Qinghai Provincial Service in Mandarin 1100 GMT 20 Apr 83

[Excerpts] In his report to the first session of the sixth provincial people's congress, Acting Governor Huang Jingbo expounded on the guiding ideology for the province in drawing up the sixth 5-year plan and the main targets of the plan. He said: Our guiding ideology in drawing up the plan was to continue to implement the principle of readjusting, restructuring, reorganizing and upgrading the national economy, take reform as the motive force, center the effort on improving economic results, focus on agriculture and animal husbandry, resource exploitation, communications and transport, and science and technology education, unify growth rate and economic results, strive for a notable turn for the better in financial and economic conditions and continually improve the people's material and cultural life.

On the main targets of the sixth 5-year plan, Comrade Huang Jingbo said: By 1985 the total value of industrial and agricultural output in the province should reach 2.51 billion yuan, a rise of 15.7 percent over 1980, representing an annual rise of 3 percent. Total value of agricultural output should reach 1.01 billion yuan, a rise of 15.8 percent compared with 1980, increasing at an annual rate of 3 percent; and total value of industrial output should reach 1.5 billion yuan, a rise of 15.4 percent, increasing at an annual 3 percent. Average national income per person should reach 393 yuan, an increase of 7 percent over 1980.

Comrade Huang Jingbo pointed out: The annual growth in the province during the sixth 5-year plan is lower than the national average. This is because the province's total industrial and agricultural output value in 1980 reached a record level. In the year after that, there was continued readjustment of the national economy plus national disasters in agriculture. Although there was a relatively great turn for the better in 1982, the province was still below the total output value of 1980. Hence we have to catch up with the tasks for the 5 years in the next 3 years. Calculated by the targets to be attained during these 3 years, total industrial and agricultural output value should increase by an annual 5.5 percent. From this angle, the growth rate during the sixth 5-year plan is positive and also leaves a margin. So long as the effort is made, it can be reached or exceeded.

Comrade Huang Jingbo said in his report: A current outstanding problem in Qinghai is that the province is far from self-sufficiency in grain. In the wake of the exploitation of resources, the contradiction between grain supply and requirements will be still more prominent. Hence, grasping grain production, striving to improve the percentage of self-sufficiency and gradually reducing the state's burden is an extremely glorious and arduous task for our province.

He pointed out: At present the situation in the agricultural and pastoral areas is very good. Comrade Huang Jingbo listed four measures for developing grain production in the province: 1) strengthen planning guidance for agricultural production; the farmland area must certainly not be reduced any more; 2) actively carry out agricultural water conservation construction, do a good job of extending the existing water conservation projects, improve medium and low-yielding farmland, strive to improve the production conditions, and increase the area of farmland giving stable and high yields irrespective of flood or drought; 3) establish the idea of cultivating dry-land crops, readjust the structure of agriculture, forestry and animal husbandry in the mountain areas, and work hard to improve the conditions of poverty in the mountain areas; 4) popularize fine seed, improve the soil, apply manure in a rational way, improve cultivation techniques, and till the land scientifically.

CSO: 4006/454

ECONOMIC PLANNING

QINGHAI TO COMPLETE SIX MAJOR PROJECTS BY 1985

OW240910 Beijing XINHUA in English 0807 GMT 24 Apr 83

[Text] Xining, 24 Apr (XINHUA)—An oil refinery with a designed annual capacity of 100,000 tons is expected to be completed before 1985 in the Qaidam basin—the first such facility in Qinghai—according to the provincial people's government.

This is one of six major construction projects in the province which are to be finished within the country's Sixth Five-Year Plan period (1981-1985), the government said.

The other five projects are:

--the first stage of a potash fertilizer plant with a designed capacity of 200,000 tons near the Qarhan salt lake, the largest in China, in the Qaidam basin;

--mechanization of an asbestos mine in the Qaidam basin which is expected to add 12,000 tons of mining capacity;

--asphalting of 500 kilometers of road, passing through the frozen-earth area, on the 1,940-kilometer Qinghai-Tibet highway linking Xining with Lhasa;

--completion of the 834-kilometer first phase of the Qinghai-Tiber railway, of which 431 kilometers have already been opened to traffic;

--the first phase of a worsted wool spinning mill, the first of its kind in Qinghai, with a designed spinning capacity of 5,200 spindles.

CSO: 4020/72

ECONOMIC PLANNING

XIZANG LEADER OUTLINES ECONOMIC TARGETS

HK220211 Lhasa Xizang Regional Service in Mandarin 0000 GMT 22 Apr 83

[Excerpts] Xizang Regional Government Acting Chairman Duoji Caidan delivered a report on the sixth 5-year plan in the region at the first session of the fourth regional people's congress on 20 April. Speaking on the tasks of the sixth 5-year plan in the region, he said: The tasks of the sixth 5-year plan in Xizang are, under the premise of continually improving economic results, to continue to implement the principle of readjustment, restructuring, reorganization and upgrading, get a vigorous grasp of agriculture and animal husbandry, the foundation, speed up energy and communications infrastructure construction, promote the development of education and science and work to improve the material and cultural living standards of the mass.

By 1985 the total value of the region's industrial and agricultural output is planned at 886 million yuan, a rise of 18.4 percent over 1980, rising at an annual rate of 3.4 percent. Total value of agricultural and animal husbandry output by 1985 should be 749 million yuan, a rise of 29.8 percent over 1980.

Duoji Caidan said: Xizang has great potentials for developing sideline production. We must organize the masses in a planned way to go in for weaving, cultivation, stockraising, hunting, processing and so on. Total value of sideline production by 1985 is planned at 77.1 million yuan, nearly double the 1980 figure. Tree-planting and afforestation should improve every year. By 1985 the annual afforested area should reach 35,000 mu, a rise of 10.4 percent over 1980.

During the sixth 5-year plan, under the premise of vigorously developing energy and communications infrastructure construction, we should ensure the development of light industry based on the processing of agricultural and animal products. We must attach importance to the development of heavy industry such as construction materials and mining.

CSO: 4006/454

ECONOMIC PLANNING

ANHUI INDUSTRIAL GROWTH TO REACH 6 PERCENT IN 1983

OW181207 Beijing XINHUA Domestic Service in Chinese 1618 GMT 15 Apr 83

[Reported by reporter Tian Xuexiang]

[Excerpts] Hefei, 15 Apr (XINHUA)—In an interview with Anhui Provincial Vice Governor Huang Yu by this reporter on 15 April, the speed of increase in Anhui's industrial production this year must be based on the real attainment of economic results.

Huang Yu explained: In 1982, Anhui's total industrial output value increased by 12 percent over the previous year. This year's plan is to guarantee an increase by 6 percent. This is progress, not retrogression. It is a change from our long-term attention to output value increase to emphasis on economic results.

Currently, Anhui has adopted measures and regarded the development of new products and the application of new techniques as the focal point of this year's work. Anhui will further improve its enterprises' technological equipment and technical and product structure, improve product quality and reduce the consumption of raw and other materials and energy resources to create conditions for the increase of the enterprises' economic results. The province as a whole will support the construction of the Huaibei and Huainan coal mines, strictly control the scale of capital construction, firmly grasp the technical innovation of enterprises and strive to thoroughly restructure all state industrial enterprises in the province within the coming 2 or 3 years.

CSO: 4006/454

ECONOMIC PLANNING

PRC OFFICIAL ON SHANGHAI ECONOMIC ZONE

HK170022 Beijing CHINA DAILY in English 17 Apr 83 p 1

[Report by staff reporter Yu Gu: "Yangtze Delta Area Unified to Spur Economic Growth"]

[Text] The planned Shanghai economic zone, when fully developed, will not only promote the national economy but also create a powerful centre for the nation's foreign trade, Wang Lin, director of the zone's planning office told CHINA DAILY.

In an exclusive interview in Shanghai Wang said the zone was designed to play a much bigger role in achieving the national economic goal by the end of the century.

The new economic zone, with Shanghai as its centre, will involve the cities of Suzhou, Wuxi, Changzhou, Nantong, Hangzhou, Jiaxing, Huzhou, Ningbo and Shaoxing of Jiangsu and Zhejiang Provinces as well as the 57 counties under their jurisdiction.

The region lies in the Yangtze Delta, traditionally known as the "land of fish and rice" for its thriving fisheries and agriculture. With a population of 50 million, it occupies an area of 8,400 square kilometres, only 0.6 percent of China's total territory. However, annual industrial and agricultural output value accounts for nearly one fifth of the national total.

The delta is the only area in China where the combined annual output value of industry and agriculture averages \$1,000 per capita, the national target for the end of the century.

Strengthening the ties among these cities and counties will enable them to pool their resources and make up each others deficiencies so that the 10 cities can utilize their industrial and economic strengths to the utmost. Agriculture in the surrounding counties will also expand faster, Wang said.

The zone will make the best use of the advantages of Shanghai in shipping, foreign trade and assimilating imported technology so as to turn the region into a "national transit base," importing and developing advanced technology and spreading it across the whole nation.

Shanghai has been playing this role in some measure in the past, but the establishment of such a zone will expand the role rapidly, Wang said.

Priorities in work as defined by the planning office, Wang said, include energy, transportation, foreign trade, technical renovation and the harnessing of Taihu Lake, the Huangpu River and the Yangtze Estuary. Such problems as where to divert the flood waters from Taihu Lake and how to remedy the pollution of the Huangpu River and improve the shipping on the Yangtze call for closer study, Wang said.

Development of a unified economic zone will require full and efficient use of handling capacity of the ports in the region. Shanghai, Nantong and Ningbo ports will need to further co-ordinate their work, tap potential and improve performance, Wang said.

Shipping will be given priority in the zone's transportation because of the abundance of rivers and lakes in the region.

The establishment of the zone will surely accelerate foreign trade in the area, wherein Shanghai will be given greater autonomy than other cities of the economic zone. Therefore, Shanghai's traditional export structure calls for some alteration to better suit the international market, Wang said.

Wang said an essential guideline is to ensure that each city and county in the zone reaps due share in profits. Restructuring must allow all the localities to retain their own specialities. Some particular industries and products will be centred in localities with the best conditions rather than in Shanghai.

CSO: 4006/454

AGGREGATE ECONOMIC DATA

PRC ECONOMIC SITUATION IN 1982 REVIEWED

HK121006 Beijing BEIJING REVIEW in English No. 14, 4 Apr 83 pp 20-24

[Article by Comprehensive Economic Bureau of the State Economic Commission: "Achievements and Problems in China's 1982 National Economy"--passages within slantlines published in boldface]

[Text] //The year 1982 saw steady and healthy progress in China's national economy, a sustained increase in the production growth rate and further improvement in economic results. The preliminary estimate for the nation's gross industrial and agricultural output value was 806,000 million yuan, fulfilling 104.7 percent of the annual plan or, according to comparable standards, 7.3 percent higher than 1981. The estimated figure surpassed the 4 percent annual growth rate set in the sixth Five-Year Plan.// Major achievements by various departments of the national economy in 1982 are as follows:

//1. Agriculture reaped a rich harvest and created many new records.//

The preliminary statistics indicated that the country's total agricultural output value was up some 7 percent compared with 1981. The output of such major agricultural products as grain, cotton, oil-bearing and sugar-bearing crops, cured tobacco and tea hit an all-time high.

Although the nation's area sown to grain crops was cut by 2.1 percent, the output of grain was 5.9 percent higher than the previous year with its total output amounting to more than 344 million tons; and the per-hectare grain yield averaged 3.06 tons, a record in China's history.

The output of cotton reached 3.37 million tons, up 13.7 percent compared with 1981 and its annual average increase in the last three years hit 15.2 percent.

The total output of oil-bearing crops exceeded 11.2 million tons, an increase of 9.8 percent over 1981 following four consecutive years of growth. The past five years saw an increase of 180 percent in this product, with a yearly average increase of 22.8 percent.

The output of cured tobacco, sugar-bearing crops and tea was respectively 41.3 percent, 14.5 percent and 11.1 percent higher than the previous year.

The stabilization and improvement of the agricultural production responsibility system expedited the development of the diversified rural undertakings and the growth of rural industrial and sideline production. Investigation of typical examples showed that the total income of commune- and brigade-run enterprises already accounted for 34.6 percent of all agricultural earnings.

The emphasis of rural financial activities has been shifted to the households under the communes. Agricultural bank branches and agricultural credit co-ops have enormously increased loans to households which entered into contracts with production teams for production quotas, households engaging in specialized lines of production and households doing specialized jobs besides crop cultivation. The amount of such loans rose by 170 percent over that of 1981. By the end of 1982 they reached 7,900 million yuan, making up 45.6 percent of the total agricultural loans issued to communes and brigades--up from 19.2 percent in 1981.

The good agricultural harvest and growth of sideline products helped increase the total volume of agricultural and sideline products purchased by domestic and foreign trade departments to 86,120 million yuan, up 12.6 percent compared with 1981, thereby better meeting the needs of light and textile industries for raw materials, enriching the supply of non-staple foodstuffs and promoting the development of food industry.

//2. Industrial production registered a sustained overall increase.//

In 1982, industries began to organize and readjust production in line with the social demand. The nation's gross industrial output value was 556,000 million yuan, 7.4 percent higher than 1981; heavy industry was up 9.3 percent and light industry, 5.6 percent. The gross output value of light industry accounted for 50.6 percent of the gross industrial output value.

The output value of the state industrial enterprises covered by the state budget (accounting for 63.5 percent of the nation's gross industrial output value) was 6.3 percent above 1981 and their sales income increased 6.2 percent. The simultaneous growth of both output and sales was achieved at a time when there was a wider choice of commodities on the market and more products were turned out to fill orders. This showed that production was better integrated with demand and that we were moving away from the tendency to one-sidedly pursue the production growth rate to the neglect of economic results.

Planned output was met for 90 of the 100 major industrial products covered by the state plan. Of the 10 products whose output failed to meet the state plan, except timber which fell behind, the output of chemical fibres, tractors and other products was lowered according to changing market demands.

Of these 100 products 54 topped their previous production records. They included coal, electricity, petrol, rolled steel, cement, plate glass, sulphuric acid, soda ash, caustic soda, ethylene, synthetic ammonia, chemical fertilizers, dyestuff, plastics, cotton yarn, cotton cloth, silk fabrics, woollen fabrics, paper, bicycles, sewing machines, wrist watches, television sets, tape recorders, cameras, sugar and beer.

Fabrics of mixed polyester fibres and cotton, radios and other products whose supply exceeded demand met their plans for limited production.

The nation's total output of primary energy (converted into standard coal) amounted to 656 million tons, 3.8 percent higher than the year before. The key coal mines ended the passive state of uneven progress in mining and tunnelling, and the local coal mines raised output following two consecutive years of decreased production. The nation's total coal output hit 651 million tons, 29 million tons more than the planned target and 4.8 percent higher than 1981.

The output of crude oil stabilized at 100 million tons for the fifth consecutive year, thus creating favourable conditions for improving reserve resources. The output of electricity was 5.2 percent higher than the previous year; of this, hydroelectricity increased 10.9 percent.

//3. Transport and communications basically met the needs of economic development.//

The state plan for transport was overfulfilled and the transport of key materials and passengers was guaranteed.

The volume of goods transported by railways amounted to 1,110 million tons, 5.9 percent greater than 1981. The volume of coal transported by rail, which has close bearing on the national economy, hit 439 million tons, 6.5 percent more than 1981; the amount of coal that was moved from Shanxi Province to other places reached 90.17 million tons, an increase of 10.4 percent over 1981.

The volume of cargo carried by railways reached 610,900 million ton-kilometres, 7.2 percent higher than the previous year.

The number of railway passengers amounted to 990 million persons, a 5.1 percent increase over 1981.

The volume of goods transported by ships under the direct administration of the Ministry of Communications was 149 million tons, 5.7 percent over 1981. The volume of cargo handled by the various seaports was 8.4 percent higher than 1981, of which the amount of foreign trade goods was 8.6 percent more than 1981.

The total volume of freight carried by civil aviation (in terms of ton-kilometres) was 18.1 percent higher than 1981. Post and telecommunication transactions for the whole country were up 4.5 percent compared with 1981.

The land-to-water through-transport was further developed and more than 4,000 railway stations and 100 ports throughout China handled land-to-water through-transport.

//4. Investment in fixed assets hit an all-time high.//

The investment in capital construction undertaken by state-run units amounted to 54,000 million yuan, overfulfilling the state plan by 10,000 million yuan. It was 10,200 million yuan or 23 percent more than 1981, the highest in China's history. Of this total, the investment covered by the state budget was 740 million yuan or 3.6 percent more than 1981; the investment from domestic loans was 52.7 percent higher; foreign investment went up 53.6 percent; self-financed and other investments rose 34.6 percent, reaching 18,960 million yuan and overstripping the plan by 5,040 million yuan.

Added to the investment in equipment dating and technical transformation, the country's total investment in fixed assets also topped the highest record in history.

The plan slated 80 large and medium-sized projects to go into operation in 1982. In fact, 107 went into production, of which 50 were covered by the state plan. Furthermore, 80 individual projects were expected to go into operation according to the plan; 100 actually went into production, of which 55 were covered by the state plan.

Plans for the newly added production capacity of 20 of the 27 major products were fulfilled or overfulfilled. The 20 items included coal, crude oil, natural gas, generating sets, cement, synthetic ammonia, cotton spindles, length of double-track railway route that was open to traffic and commercial cold storage.

The fields of investment were further readjusted. Investment for productive projects was 20.2 percent higher than 1981. Investment in non-productive projects was 26.9 percent greater than 1981. Of this 13,150 million yuan was used in housing construction, an increase of 20.4 percent. The floor space of housing construction totalled 157.52 million square metres, and 84.25 million square metres were completed, making 1982 the record year in residential construction for urban workers and staff.

//5. Commodity supply exceeded social purchasing power.//

The urban and rural market presented an unprecedented scene of prosperity as a result of the bumper agricultural harvest and growth in sideline production, plus the increased output of consumer goods and the expansion of different economic sectors and circulating channels. Supplies of retail goods for the domestic market provided by industrial, agricultural, commercial and catering departments were 11.6 percent higher than the previous year, and social purchasing power increased by 9.8 percent during the year. The long period when consumer goods always fell short of purchasing power was ended.

The year's total retail sales were 257,000 million yuan, 22,000 million yuan or 9.4 percent higher than 1981. Of this the increase in urban areas was 6,400 million yuan or 6.2 percent, and that in rural areas was 15,600 million yuan or 11.8 percent. It was the fourth consecutive year that the growth rate of retail sales in the rural areas topped that of the urban areas.

Commercial retail sales increased 7.8 percent over 1981, of which collective business went up 30 percent and individual business 80 percent. Retail sales of catering establishments rose 10.5 percent, of which collective establishments increased 17.8 percent and individual business 57.8 percent. Retail sales of industrial enterprises went up 19 percent. Retail sales of peasants to urban citizens, according to incomplete statistics, reached 10,900 million yuan, 21.9 percent higher than the previous year.

As more commodities were available on the market, the number of goods which were rationed or supplied in limited quantities decreased tremendously. Investigation showed that in 1978 there were 73 kinds of rationed goods throughout the country, but at the end of 1982, 64 of them were no longer rationed, instead there was a good supply of them. Because of the increased supply, the rationed goods could also be bought at negotiated prices.

The nation's general retail price index basically remained at the year-end level of 1981 and was about 2 percent higher than the 1981 average.

//6. Exports kept rising and there was a favourable balance in foreign trade.//

Although the international market suffered a recession and the world total volume of trade dropped, our volume of exports saw a sustained increase. According to the Ministry of Foreign Economic Relations and Trade statistics, China's total volume of exports increased 3.5 percent over 1981 (it rose 8.6 percent if the factor of the reduced prices of export commodities on the international market is excluded); the total volume of imports decreased 12.8 percent (it basically kept the 1981 level if the factor of the reduced prices is excluded). Exports topped imports.

//7. The central government's revenue reversed the downward trend of the past three years and began to pick up.//

The state revenue exceeded the budgetary figure. Revenue from various taxes was greater than expected. Income rose from railway, transport and communications enterprises; profits turned over to the state by industrial enterprises were below the budgetary estimates, but they remained at the 1981 level in terms of comparable standards; the income from commercial enterprises was lower than the previous year and the loss from grain and foreign trade enterprises was higher than 1981.

The state expenditures exceeded the targets of the budget. This was chiefly because of increases in the operating expenses for culture, education and

public health, administrative expenses and expenditures for aiding agriculture. All of them exceeded the budgetary figures and topped those of the previous year. There was still a deficit in the final account of the state.

//8. The issuance and repayment of bank loans and the banks' cash receipts and payments showed tremendous increases; the circulation of money in the market was healthy.//

The total cash receipts of the banks was 17.4 percent higher than 1981 and their total cash payments went up by 16.7 percent. The balance between cash receipts and payments showed that an additional sum of 4,280 million yuan was put into circulation, 720 million yuan less than planned. The volume of currency circulating on the market by the end of the year totalled 43,910 million yuan, an increase of 4,280 million yuan or 10.8 percent compared with the end of 1981. As more cash was withdrawn from circulation through commodity sales and bank savings deposits, 1982 saw the least amount of additional currency put into circulation in the last few years, which signaled an improvement of money circulation in the market.

With the improved standard of living, the ample supply of commodities and the basic stabilization of prices, the savings deposits of the urban and rural people increased markedly. At the end of 1982, these deposits amounted to 67,500 million yuan, an increase of 15,170 million yuan over 1981. They have become an important source of bank loans.

The good results in China's 1982 national economy were achieved on the basis of the readjustment in the previous years and the improved proportionate relations between accumulation and consumption and among agriculture, light and heavy industries.

At present, we have basically completed the task of setting our guiding thought in economic work to rights, and the work of readjusting, restructuring and consolidating the national economy has entered a new stage. Many kinds of work have been gradually undertaken; this includes consolidating the existing enterprises and carrying out technical transformation in them in a planned and systematic way, and paying attention to personnel training and technological progress.

The following problems, however, still exist in such economic activities as production, construction and circulation and should be solved.

First, the area sown to grain crops has been reduced every year since 1979 and the country's area sown to these crops was 1,687 million mu (including multiple crop index) in 1982, which was 36.9 million mu less than the previous year and dropped to a level equal to the early years after the founding of the people's republic.

In the future, the ratio of areas sown to grain and industrial crops should be well defined in accordance with the conditions of different areas.

Second, in industrial production, the product mix should be improved, attention should be paid to increasing the quality and variety of products, and the work of sales and services should be strengthened.

Third, the national scale of capital construction should be strictly controlled, and investments using self-financed funds or loans should particularly be well controlled.

Fourth, the commercial departments should further expand commodity markets and accelerate the turnover of commodities.

Fifth, the fundamental task is to continually emphasize improving economic results, both in guiding ideology and in practical work.

Following the unified arrangements of the central authorities and proceeding from reality, the reform of economic systems should be carried out comprehensively, systematically, resolutely and in good order.

CSO: 4006/454

ECONOMIC MANAGEMENT

'BEIJING REVIEW' ON ECONOMIC RESPONSIBILITY SYSTEM

HK180700 Beijing BEIJING REVIEW in English No. 14, 11 Apr 83 pp 24-25

[Article from "Feature": "Shoudu Steel" entitled: "New System Improves Industry"--passages within slantlines published in boldface]

[Excerpts] The economic responsibility system is a new management method and a new approach to the distribution of earnings that we have introduced to our socialist enterprises in recent years. It is a sweeping change from the old practices of over-centralization and "everybody eating from the same big rice pot."

The new system gives enterprises more power of decision under the guidance of standardized state policies and plans. The new system clearly defines the rights and responsibilities of each position in the enterprise, from the leadership down to the least skilled jobs. It also assigns specific wages and remuneration to each job, and defines how bonuses are awarded. It includes practical provisions for enforcing the principle of "more work, more pay."

This new system was initiated first in the countryside. Later, it was applied to industry and commerce. Today, the responsibility system in diverse forms has been introduced to most industrial enterprises in the country, which has stimulated the enthusiasm of workers and staff members for production and yielded good initial results.

In the distribution between the state and enterprises, most enterprises adopt the method of handing profit over to the state while retaining a certain percentage of it at their own disposal; a small number of large enterprises (such as Shoudu Steel) commit themselves to an annual increase in profits for the state; still 456 others are experimenting with the method of paying a certain amount of tax to the state. The results prove the last method to be most effective. The State Council has decided to popularize this method.

There are also different forms of distribution within an enterprise. For example, bonuses to those who have overfulfilled the production targets, piece rate wages, floating wages (i.e., floating within a 20-30 percent of the basic wage), floating grades (i.e., whether one should go up one grade

should be decided according to his work done in the year. Only those who have made great contributions for years on end can have their floating wage grades changed into fixed wage grades.).

The economic responsibility system instituted in Shoudu Steel embodies two main aspects:

//(1) The enterprise is economically responsible to the state. //

The company has the following economic commitments to the state:

1. To hand over planned profit to the state; 2. to fulfill the plan for the output, quality and variety of its major products; 3. to fulfill the state plan for the amount of products to be allocated to other departments; 4. to see there is a market demand for the products, to avoid overstocking; 5. to maintain energy consumption at the level allowed by the state; 6. to maintain the allocation of bonuses for workers and staff members no higher than the maximum allowed by the state (in 1981 the state stipulated that the total amount of annual bonuses must not exceed three months' base pay, averaged for all those on the payroll); 7. to proceed with the larger projects of reconstruction and capital construction items financed through self-collected funds as approved by the state.

The company has power over four areas:

1. The power to set aside some of its profits for its own use. Under the former method, the state handled enterprises expenditures and revenues in a uniform manner. This practice has been eliminated. A certain proportion of the profits is set aside for use by the enterprises for developing production, establishing collective welfare services and awarding workers and staff members.
2. The power to buy some of the materials it needs and change the former method under which the state distributed all means of production in a unified manner.
3. The power to arrange certain production tasks and to market products other than those required by mandatory planning. (At present, sales of such products account for about 15 to 20 percent of the company's total sales.)
4. The power to make certain investments and to borrow from the state bank.

//(2) The economic responsibility system instituted within the enterprise. //

The company concretizes its economic commitments to the state and its task of co-ordinating with other departments by assigning particular tasks to every plant and mine, every workshop, every shift and team down to every individual. Thus the enterprise has a total of over 230,000 targets. Leadership at each level conducts strict checking procedures to determine

how well the targets are achieved. These procedures serve as the basis for evaluating workers' reward and promotion.

About a year ago, Shoudu Steel, out of its own funds, instituted a new wage system known as the "floating wages and grades" system. To date, 20 percent of its workers and staff members, that is, 14,000 people, have been promoted one grade higher on the wage scale. This promotion is "floating": if he does not work as well next year, the promotion from the previous year will be cancelled. Only those who maintain their floating promotions for three years in a row can, in the 4th year, have their floating wage grades changed into fixed wage grades.

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ECONOMIC MANAGEMENT

PROBLEMS IN REFORM OF COMMERCIAL SYSTEM DISCUSSED

Shanghai SHIJIE JINGJI DAOBAO in Chinese 7 Mar 83 p 6

[Article by Chen Shenshen [7115 3947 3947] of the Economics Research Institute, Academy of Social Sciences, Shanghai: "Problems that Cannot be Ignored in Reform of the Commercial System"]

[Text] After the responsibility system was thoroughly carried out in the rural economy, the entire nation then embarked upon a high tide of reform of the commercial system. This means that there is a good situation in our national economic development and that substantial guarantees have been provided for social transformation. The beneficial factors from all sources can very likely cause the reform process to be even faster than predicted.

At this time, the key factor in the success or failure of our reform of the commercial system is whether or not we can guarantee that state financial revenues will increase even faster than enterprise and individual income.

The reform of the commercial system definitely must bring visible economic benefits to the stores and the staff and workers or otherwise the reform will quickly lose the motive force derived from the basic level of society. However, the development of economic reform increasingly demands that the state decrease the use of administrative techniques and increase the use of economic techniques to implement the directives of this plan. This requires that the state economic forces be continually strengthened, because the directives for this plan will otherwise lack any practical significance. At present, however, the level of our financial revenues equals only 30 percent of the national income while that of the Soviet Union is about 50 or 60 percent. If the ratio of our financial revenues increases rather than decreases during the reform this might bring about the loss of control of the macro-economy and erosion of the consumer market, so that the reform will consequently come to a premature end.

There are two areas in which reform of the commercial system can possibly bring about reductions in the nation's financial revenues.

First, after the system is reformed, the stores will be able to stock merchandise in quantities greater than the original wholesale levels, which will shift the profits from the wholesale store to the retail stores. When this happens, the state's revenue from each enterprise will increase but the revenue derived from each wholesale level could possibly decrease. In addition, if there is no change of the social purchasing power, the properly managed stores will have increased income while the improperly managed stores will have reduced income. When a store has increased income the amount of the increase is divided up among the state, the store, the staff and workers, but when there is decreased income the entire amount of the decrease is absorbed by the state's financial revenues.

The effective means to avoid the above-mentioned conditions during the reform is to carry out reform of the commercial system in order to promote reform of the enterprise management system, promote production and improve economic efficiency throughout society.

Reform of the commercial system directly links enterprise production with social needs, creates beneficial social conditions for the enterprises, encourages the enterprises to change from production oriented administration to management oriented administration, and gives the enterprises new motivation. Without any reform in the area of circulation, reform of the enterprise management system might then lack the necessary social conditions and be difficult to carry out. At the same time, if we now only have reform in the area of circulation and do not promote production development, this reform will not be successfully carried out. This is because although reform in the area of circulation can promote production development, in the end it cannot directly produce any products; it can only use reform of the commercial system to promote reform of the enterprise management system, thus promoting production development and demonstrating the true significance of economic reform.

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FINANCE AND BANKING

SHANGHAI AS WORLD TRADE, FINANCIAL CENTER DISCUSSED

Shanghai SHIJIE JINGJI DAOBAO in Chinese 7 Mar 83 p 10

[Article based on statements by Shanghai experts: "Develop Shanghai as World Finance and Trade Center"]

[Text] Reform of Foreign Trade System

Li Lixia [2621 4539 0204], Deputy Chairman of the Shanghai Municipal Finance Institute, and former Chief of the Shanghai Financial Administration Bureau, said: In the past, Shanghai was the trade and financial center of China and also was the economic center of the nation. After Liberation, there was one stage when the direction of development was not clear and we went in circles. Shanghai now wants to implement "foreign expansion and domestic links," which requires a large-scale development of foreign trade and reform of the foreign trade system and the management system. Shanghai wants to train human talent for foreign trade and must quickly establish foreign trade training centers. There must be vigorous reform of the financial system. In the past, we followed the soviet methods and used only vertical guidance with no horizontal activities. There were no business links between the prefectures, so it was useless to talk about links with foreign countries. If Shanghai wishes to become a center of international finance it will have to change these conditions.

1. Shanghai lies within the scope of the economic zone of the Changjiang delta, where it can search out new paths in reforming the financial system. The goal is to coordinate all of the current disparate elements to promote development of the production forces. Improvement of the current methods for bank loans and settling accounts will speed up the flow of funds so that one amount of money will do the work of two.

2. Acquire foreign capital from many sources. In terms of the whole nation the use of foreign capital is not a major concern. Nonetheless, Shanghai can consider making more use of foreign capital. At present, foreign investment is primarily concentrated in joint capital enterprises. The government has already published

the laws on joint capitalization, including such things as the period of tax exemption, product resale to place of production, land use taxes and bilateral guarantees. Shanghai has already demonstrated great adaptability and can use the foundation of these joint capital laws to take further steps in formulating supplements and carrying out the detailed rules and regulations.

3. Shanghai must break into the international finance markets. At this time, the fastest developments in the international finance markets are taking place in money market funds. China does have a certain amount of foreign exchange reserves, the Bank of China has a certain amount of savings in Hong Kong and abroad, all of which can be used in the money market. Shanghai and Hong Kong have close relationships, and, with proper study of the matter, Hong Kong can be used as a financial market.

Foreign Exchange Management

Tang Xiongjun [0781 7160 0193], member of the Shanghai World Economy Research Institute, said that the financial basis must have a greater variety and that foreign exchange must be managed so that it does not lie dormant. If the tax rate is excessive the foreigners will turn away.

Tang said that there are some favorable conditions for Shanghai to become an international financial center. 1. A stable political situation. 2. Shanghai has an excellent location with communications in all directions. In terms of the time zones, Hong Kong and Tokyo are basically the same, so whatever advantages they have we also would have. Furthermore, prior to Liberation, Shanghai already had status as a financial center in the Far East, so the foundation is solid and it would be easy to start it up at this time. Of course, there are some conditions which are now incomplete, but we need only exert some effort to easily accomplish them. First, the international communications apparatus must be kept abreast of the times; second, the concerned legal, statistical and publishing services must all be strengthened; third, the financial basis must be more varied. If we are limited to the few currently extant financial structures, we will not be able to respond to the needs of an international financial center. The greatest difficulty will be in calculating the system for foreign exchange management and tax receipts. Foreign exchange must be controlled without causing stagnation, as this is the only way to aid the formation of a financial center. If foreign exchange is controlled to the extent that transmission in and out of the country is not convenient Shanghai will not be able to develop as an international trade center. The issue of tax receipts is the same, so if the tax rate is set too high the foreigners will turn away and the establishment of an international trade center will be mere talk. There are many other conditions that can be taken care of if Shanghai is to become an international financial center. One

that must be emphasized is that a great deal of effort must be expended in training people to master the profession, as there then will be a contingent of people expert in international financial business practices.

Building Shanghai into an international financial center is an extremely complex topic and I hope that it can be made workable and given to concerned units for study.

Expanded Autonomy for Banking

Xu Guomao [1776 0948 2021], Director of the Bank of China and former General Manager of the Jincheng Bank, said that loans should be granted according to the demands of economic benefits rather than exclusively following administrative orders.

Xu Guomao said that if Shanghai is to become an international city the following conditions ought to be fulfilled: 1. Shanghai must have greater development of foreign trade and foreign economic exchanges. Expansion of exports is now faced with quite a number of obstructions. According to foreign businessmen, first of all, China frequently does not deliver goods on time. Summer clothing should be delivered in the spring, but often does not arrive until the autumn, so that the color, design and cut are out of season, which upsets the foreign merchants. Next, the quality is uneven, sometimes the samples have good quality but the inspection of the rest is not strict enough. Last, news of the market prices is not well-informed and goods and good are not sold at a good price or sometimes are priced so high that no sales are made. A great deal of energy must be expended to clear away these obstructions and enlarge the scope of our foreign economic exchanges.

2. In banking, it is important for us to make advances in foreign exchange banking. Our foreign exchange bank is the Bank of China and its business autonomy should be greatly expanded. Loans should be granted according to economic benefits, rather than strictly according to administrative orders. The Bank of China should train a great number of experts. On the one hand there must be strengthened training of young business men and on the other hand the superior graduates of financial and economic institutes can be utilized. Personnel can also be sent abroad for short periods of study in foreign banks in order to make advances in their professional work. In addition, the Bank of China can also make loans to small and mid-sized enterprises solely engaged in producing products for export in order to raise the competitive level of their export products in the international marketplace.

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FINANCE AND BANKING

REFORM IN FINANCE SAID KEY TO ECONOMIC STRENGTH

Jinan DAZHONG RIBAO in Chinese 20 Mar 83 p 1

/Article by staff commentator: "Keep a Firm Hold on Reform and Revive Finance"/

/Text/ The hubs for the movement of capital in every sector of the national economy are the banks, which are centers for credit, cash, account settlement, and foreign exchange receipt and disbursement. All of the reforms presently in progress within the economic sphere relate to the reform of the banking system and some of the policies, regulations and methods of the banks. A great number of facts illustrate that the position and role of banks in the national economy has made the reform of finance operations necessary: a current of reform which cannot be stopped has forced banks to completely violate those laws which hinder advancement and protect backwardness: the party's open-door foreign policy and its domestic policy of reviving the economy demand that finance be revived.

Reviving finance means to gain a foothold on reforms, to practice them bravely, destroy the old and create the new, and do an even better job of serving the development of the national economy. Banks primarily handle money; therefore, financial reform must, on the basis of extensive collection, good use, and creation of funds, vigorously speed up the turnover of capital, so that one coin can be used as several. As for the problems of too much capital being in use, slow turnover and lack of benefits, in order to revive finance we must first take care of the problem within capital flow management of "eating out of the common pot," destroying the old hubs of the supply system and upgrading the benefits of the use of capital. After due consideration we must grant overall currency flow quotas for enterprises on whose basis loans can be controlled, and, we must link up the quotas for a faster turnover of the nation's capital with the retention of a share of the profits by enterprises and with the floating interest rates of the banks. Mid- and short-term loans for equipment are mainly to be used to support enterprises in carrying out retooling and the transformation of technology. Urban and rural savings must vigorously meet the demands of the masses, deposits must be expanded and there must be instruction in consumption. We especially have to stress reform of the credit cooperatives in the villages and, insisting upon the quality of the cooperative financial organization, we have to change the situation of "officialdom" to meet the needs of economic development in the villages. On the basis of implementing the retention of a share of the profits, banks must step by step promote the economic responsibility system and arouse the initia-

tive of the staff and workers. And toward some unreasonable regulatory systems, policies and methods, we have to follow the course of economic reforms, loosening that which should be loosened and rebuilding what should be rebuilt. For instance, now that many farming, industrial and business units have started drawing up contracts and no longer eat from "the common pot," the banks should also proceed with corresponding reforms in credit, account settlement, the opening of accounts, and other areas, providing support and convenience. Some corresponding changes should also be made in the work of financial management, and, on the premise that we insist on bank credit as the pillar, with control, we should open up credit for businesses, energetically promote the development of production and create circulation channels, making socialist economics prosper.

Some comrades believe that the economy determines finance, that after production and the spheres of circulation have been reformed, it will not be too late to reform finance. Therefore, they handle decisively reforms which should be made, but when they find new contradictions in some reforms which are already in progress, they think of retreating. This kind of thinking is wrong. The economy does indeed determine finance, but finance also has its own specific functions and a very important role in promoting the economy. When finance is revived, capital can be flexibly regulated and utilized, and then it can powerfully support and promote economic reforms. Because of this, thought concerning financial reform must be liberated one step further and the sense of urgency for reform strengthened; we should courageously handle what has been accurately estimated, and when we encounter contradictions, resolve them with a positive attitude, not timidly wait and see and delay projects.

Yet other comrades believe that financial reforms must take place all in one leap, that the demands of everything — state-owned commercial enterprises, collective economy and individual households must all be reformed. This kind of opinion is also one-sided. We believe that finance reforms must proceed in step with reforms in other economic sectors; we have to have leadership and procedures, we cannot divorce ourselves from reality, rushing headlong into mass action, and even less can we measure everything by the same yardstick. Some key reforms certainly must be delved into with realistic investigation and research with an insistence upon experimentation first and popularization later. In the midst of reform, when some units bring up demands of this kind or that concerning finance operations, we should actively support and earnestly resolve the demands which are reasonable; those which are unreasonable, we should insist, then, upon principle and handle them in accordance with policy regulations. Moreover, we must correctly manage the relations between service and supervision and securely build up an ideology for serving production and the people's livelihood; correctly implementing the planned economy as our primary principle and adjusting marketing as our second principle, we must continuously expand the sphere and scope of bank activities and, under the leadership of the nation's plans and policies, revive finance, letting the banks fully exert their leverage in "developing the economy and renewing technology."

INDUSTRY

'RENMIN RIBAO' ON PROMOTING LIGHT INDUSTRY

HK070211 Beijing RENMIN RIBAO in Chinese 4 Apr 83 pp 2

[Commentary by reporter Dong Huanliang [5516 3562 0081]: "Quickly Reverse the Situation in Which Light Industry is Being Squeezed Out"]

[Text] Since the final quarter of last year, with the pickup in heavy industrial production, in some localities there has emerged a situation in which light industrial production is being squeezed out. Looking at the production in the first 3 months of this year, the growth rate of light industry was much lower than that of heavy industry and light industrial production failed to reach the speed required by the plan. We must take urgent measures to reverse this state of affairs. In which spheres do the indicators of light industry being squeezed out find expression?

First, in the shortage of energy needed in light industrial production. It is reported that since this year, the everyday volume of electricity supply of the second light industrial bureau of Liaoning Province has been 1/4 less than the volume of electricity supply really needed. In January, the production of Shenyang alone decreased by 20.5 percent owing to insufficient supply of electricity. The units under the jurisdiction of the first light industrial bureau of Shandong Province whose production was quite greatly affected by insufficient supply of electricity constituted about 40 percent. The shortage in coal is even more pronounced. This has resulted in a decrease of 2.85 million yuan in the production of the light industrial bureau of Guangzhou in February.

Second, in lack of transportation. In some localities, the raw and semi-finished materials needed in light industrial production failed to be moved in and their products failed to be moved out. The Chengdu first light industrial bureau and its affiliated organizations need 10 carriages per day to deliver their goods but they were actually offered only 3 carriages per day in January and although there was a slight increase in this respect in February and March, it far from satisfied their needs. At present, the bureau has more than 2,000 tons of detergent and 10,000 bicycles in stock as a result of their failure to be moved out. The phenomenon of imported goods for light industrial use being kept in ports are also serious. The goods and materials of various material departments of the Ministry of Light Industry stockpiled in all ports in January alone totaled at least 30,000 tons.

Third, in gaps in the supply of raw and semi-finished materials. There are substantial gaps in the supply of in the major raw and semi-finished materials, such as pig iron, timber, caustic soda, soda ash, plate glass and some nonferrous metals. The materials under unified distribution and allocation needed in small commodity production are even harder to obtain. There are no normal supply channels for the timber, steel products and tin needed in producing more than 20 products, such as mirrors for civilian use, flash-lights and steel and wooden furniture.

The first reason for the situation in which light industrial production is being squeezed out lies in the fact that since the localities has been undertaken in an excessively drastic way. According to statistics, the investment in capital construction of the units under the system of ownership by the whole people in 1982 surpassed the original state plans or registered a much greater increase over the number actually completed in 1981. In particular, with the expansion of their decisionmaking power, many localities have undertaken quite a few construction projects outside the plan and this has resulted in an overall strain in the supply of the means of production. This has helped to bring about a situation in which in some localities, heavy industry squeezed out light industry, the big elbowed out the small and the fat pressed out the lean.

The second reason for the situation in which light industrial production is being squeezed out lies in the fact that the departments responsible for industry and communications of some localities have failed to correct the relationship between speed and efficiency and still have the tendency to concentrate on speed. Generally speaking, the scale of production of many heavy industrial factories is fairly large and their output value is higher than that of medium- and small-sized light and textile industrial enterprises. For this reason, in their quest for speed, these localities are invariably happy to take a familiar road and a familiar door in terms of the arrangements of the supply and transportation of energy and raw and semi-finished materials, that is, to adopt the method of ensuring heavy industry by squeezing out light industry and allowing light industry to make way for heavy industry. As a result, the normal production of light industry has been affected.

The third reason for the situation in which light industrial production is being squeezed out lies in the fact the leading members of some localities and departments hold that there has been a great improvement in the situation in which consumer goods are in short supply and that the implementation of the principle of giving "six priorities" to light industry has become unnecessary.

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INDUSTRY

PRC LIGHT, HEAVY INDUSTRY DEVELOPMENT

HK201004 Beijing GUANGMING RIBAO in Chinese 11 Apr 83 p 3

[Article by Jiang Wei [1203 1550]: "Some Opinions on the Coordinated Development of Light and Heavy Industries"]

[Text] Since our nation started the economic readjustment in 1979, the growth of our light industry has quickened. In the 3 years ending 1981, light industry registered an average yearly increase of 14 percent. At the end of 1981, light industry produced 51.4 percent of the total industrial output value, against 43.1 percent in 1978. On the other hand, the share of heavy industry fell to 48.6 percent in 1981 from 56.9 percent in 1978. But a different situation appeared in 1982 with light industry slowing down and heavy industry speeding up. According to initial statistics, the total yearly industrial output value in 1982 increased by 7.4 percent from that of the previous year, with light and heavy industries increasing by 5.6 percent and 9.3 percent, respectively. People have taken different views of this change. Some comrades hold that the slowdown of light industry is an abnormal phenomenon and will adversely affect the development of the national economy if no measure is taken to change this situation; while others believe that this is basically a normal development, but that problems in this development must be seriously dealt with rather than being treated lightly. More varied opinions exist with regard to the problem of how to coordinate the development of light and heavy industries. Therefore, it is necessary to clarify the questions of what growth rates for light and heavy industries can be considered "coordinated" ones, what the criterion is for judging whether a specific growth rate is normal or abnormal, and what suitable ratio should be kept between light and heavy industries in the future, because this is of great significance in guiding present economic development and working out long-term plans.

The Standard by Which to Judge Whether Growth Rates of Light and Heavy Industries are Normal or Not

It is inadvisable to judge, based only on a temporary situation, whether specific growth rates of light and heavy industries are normal and whether the ratio between them is a harmonious one; instead, our analysis must be based on the basic theory of Marxism on expanding reproduction and on the realities of China. Concretely speaking, the following are the main points:

1. Does the development of light and heavy industries conform to the principle of the two major categories' proportionate development? That is to say, we should consider whether the development of light industry tallies with the demands of the masses for industrial consumer goods and whether the development of heavy industry meets the demands for the means of production in the two major production sectors. In other words, we should consider whether the supply of raw materials, fuels, power and technical equipment provided by heavy industry meets the needs of light industry in its development and whether the amount of consumer goods provided by light industry conforms with the improving level of urban and rural residents' living standards.

2. Does the development of light and heavy industries comply with the principle of giving priority to the growth in the means of production? That is to say, under normal conditions, when light and heavy industries grow simultaneously, the growth rate of heavy industry should be slightly higher than that of light industry. With the exception of some special conditions, the situation in which the growth rate of heavy industry is lower or excessively higher than that of light industry for a long time is abnormal.

3. Does the development of light and heavy industries meet the demand of the basic socialist economic law, or is the purpose of production the satisfying of the people's increasing demands in their material and cultural lives? In other words, the ratios of light industry to heavy industry and of accumulation to consumption must be properly arranged.

4. Does the development of light and heavy industries conform to the capacity of agriculture and transportation?

Judged according to the above criteria, the 1982 situation, in which heavy industry grew a bit faster than light industry, was basically normal.

1) The slowdown of growth in light industry was mainly because the production of textiles was limited by a huge stockpile of chemical fiber and polyester cloth; while production of other light industrial goods still grew at a fairly high rate. 2) The supply of fuels and industrial raw materials needed by light industry was guaranteed in the main. 3) Though the growth rate of heavy industry was a bit faster, since heavy industry declined in 1981, its growth in 1982 had character of a recovery to a certain extent; moreover, no heavy industrial products were thus seriously stockpiled. Of course, we should also note that the excessive scale of investment in fixed assets in 1982 indeed stimulated the growth in heavy industry to a certain extent. We must also be highly aware that too rapid growth in heavy industry has indeed appeared in some places and this has adversely affected the development of light industry. In order to change the situation in which heavy industry grows so rapidly as to affect the development of light industry, the most important measure we must take is to strictly control the scale of investment in fixed assets and, at the same time, we should also seriously solve problems in light industrial production. For example, energy and raw materials needed by light industry must be guaranteed according

to production plans; efforts should be made to improve product quality, enrich variety and lower production costs; goods produced must be readily marketable.

Some Opinions on Adjusting Growth Rates of Light and Heavy Industries and Their Ratio

In my opinion, in order to realize the grand objective of quadrupling total industrial and agricultural output value, under the premise that both light and heavy industries should grow at fairly high rates in the next 20 years, the growth rate of heavy industry should be even higher than that of light industry; the proportion of heavy industry in the total industrial output value should be gradually increased, with the share of light industry being correspondingly reduced.

Reasons may be found from the following points:

1. Marx's theory on reproduction tells us that, to guarantee the continuous expansion of social production, priority must be given to the growth in the production of the means of production and a certain proportion must be maintained between the two major categories. Otherwise, it is hardly possible to conduct expanding social reproduction. The practice of China's socialist construction has proved the correctness of this theory. For example, during the first 5-year plan, because these basic principles were correctly applied to our work, both light and heavy industries developed in a coordinated way under the condition of priority growth in heavy industry. If the priority development of heavy industry is stressed to an improper degree, with the result that heavy industry becomes completely out of line with light industry and agriculture and that the balance between the two major sectors is upset, then a situation like those in the 3 years during the 2nd 5-year plan and in the 10 years of the domestic turmoil will be brought about: on the one hand, because the development of light industry was held down, consumer goods on the market were in short supply and even some basic necessities of the people could not be guaranteed; on the other hand, because heavy industry was mainly oriented to itself rather than to serving agriculture and light industry, its growth could not be maintained but just came to an end.

2. Experiences in other nations also show that during a major industrial takeoff, normally, the growth in heavy industry is faster than that in light industry. For example, the Soviet Union began its major development in the 1950's after recovering from World War II. If production in all fields in 1955 was 100, then in 1975, the output of the means of production was 595 and that of the means of consumption was 419. Taking Japan as another example, we find that in the 15 years from 1955 to 1970, heavy industry showed an average yearly increase of 15.5 percent and the average yearly increase in light industry was 11.4 percent--heavy industry also grew faster than light industry did. Of course, the priority development of heavy industry does not mean that the growth rate of heavy industry should always be higher than that of light industry, still less does it mean that the greater its share in the national economy, the better. Since 1970, growth

rates of light and heavy industries in the Soviet Union have been kept on the same level all along, and things in Japan also show a similar situation. But this condition begins only after heavy industry has developed to a fairly high level and has stably held a certain portion of the total industrial output value. In the Soviet Union, the proportion of heavy industry has been generally maintained at the level of 73-74 percent; and in Japan, this proportion has been fluctuating around the level of 60 percent.

3. In view of necessity, light industry must maintain a certain growth rate in the future, because light industry can take in a greater labor force and create more jobs to solve the employment problem as our nation has a huge population and, at the same time, light industry can provide huge amounts of funds for the development of heavy industry and can bring in more foreign exchange for the state while consuming relatively less energy. Similarly, it is also necessary to develop heavy industry more rapidly in order to realize the quadrupling of total industrial and agricultural output value. The reasons are as follows: The deficiency of energy has become a crucial factor that affects economic development, so it is necessary to quicken the development of energy production; keypoint construction and technical transformation on a large scale and the rapid development of transportation all increase the demand for the means of production; the establishment and development of newly emerging industries and the application of advanced technology also call for heavy industry to increase its output of products and to improve its product quality; the development of agriculture and light industry needs more raw materials, fuels and technical facilities to be provided by heavy industry; and construction in rural areas needs huge amounts of building materials.

In general, therefore, the growth in heavy industry will be faster. As for how much faster it should be and what specific growth rates should be arranged for both sectors, this needs to be decided according to the specific conditions of our country in different periods. Some comrades suggest that equal growth rates should be maintained for both industrial sectors in the future. According to events in other nations, equal development is affected only after the economy has developed to a fairly high level. The developmental level of our economy is still rather low, so there have not yet been the objective conditions for effecting equal development. So, can we suggest that a higher rate be arranged for both industrial sectors in turn? Or, is it possible to make heavy industry develop faster in one period and shift to a higher rate in the development of light industry in another period? Is it possible to maintain for a long time a situation in which heavy industry does not exceed the level of 50 percent of the total industrial output value and the share of light industry is maintained above the level of 50 percent? In my opinion, it is impossible to realize all these projections. Because from a long-term viewpoint, under the condition that heavy industry equals light industry in the total industrial output value, the scale of accumulation will be too small to properly conduct keypoint construction and technical transformation and this may put off the realization of the strategic objective. According to the present economic conditions and the prospects for development, we may try, in the near future, say, in

the first decade, gradually to stabilize the proportion of heavy industry at the level of 55 percent with light industry accounting for the remaining 45 percent of total industrial output value; and in the second decade, to raise the proportion of heavy industry to the level of 57 percent with light industry being maintained at the level of 43 percent. In any case, the proportion of heavy industry must not exceed 60 percent and that of light industry must not fall under 40 percent. I think that will be appropriate.

Several Measures for Ensuring the Coordinated Development of Light and Heavy Industries in the Future

1. When plans are made, growth rates of light and heavy industries may be readjusted, but the disparity between the rates must not be too great; rather, an appropriate ratio should be maintained between them. Both industrial sectors should grow stably and harmoniously. Great fluctuations should be prevented.

2. The ratio of accumulation to consumption should be correctly arranged. Investment in capital construction should be maintained at a reasonable level and used in correct fields. This can help control the general scale of demands for the means of production and prevent heavy industry from growing too rapidly to a degree that the development of light industry is affected unfavorably.

3. Investment in both light and heavy industries should be rationalized. The amount and priority of investment may greatly affect the growth rates of light and heavy industries and their proportions. Previous experience has shown that when disproportion occurs between light and heavy industries, usually, the ratio of investment in the two industrial sectors is not an appropriate one; conversely, when the proportions are kept at a correct level, the distribution and utilization of investment are also rational. In the future, as I see it, a suitable ratio of investment in light industry to that in heavy industry should be 1 to 7 or 1 to 8. The development of light industry can rely more on the collective economy and funds earmarked for equipment renewal and technical transformation. In this way, though the percentage of the total amount of investment in capital construction going to light industry may be smaller, the real amount of funds available to light industry will not be insufficient.

4. Quotas should be laid down for different industrial sectors with regard to the distribution of raw materials, fuels and power so as to prevent each side from grabbing a share of the other's and, mainly, to prevent heavy industry from taking the share belonging to light industry. For example, in the total volume of electric power consumption, the share for light industry should be stabilized at the level of about 13 percent; and light industry should be given a share of 14 percent in the total amount of steel consumption.

5. After principles and policies are decided, whether plans can be arranged in line with reality is an important factor. A major reason for the smooth

economic development during the first 5-year plan was that there was a midterm plan which was basically realistic. At present, we have had the sixth 5-year plan which is basically realistic, we must act in firmly keeping to it and take effective steps to ensure its realization.

CSO: 4006/454

INDUSTRY

MINISTER ON FIRST QUARTER IRON, STEEL PRODUCTION

HKD20732 Beijing JINGJI RIBAO in Chinese 20 Apr 83 p 1

[Report: "Li Dongye on China's Iron and Steel Production in the First Quarter"]

[Text] In the first quarter of this year, the situation in our country's iron and steel production was good, but some enterprises did not fulfill their tasks for transferring pig iron and coke to other enterprises according to state plans but used them to produce more steel. We were 210,000 tons of pig iron, 140,000 tons of coke and 220,000 tons of steel products--subject to unified distribution--short of the targets for turning over to the state. In view of this fact, as a national metallurgical telephone conference held on 19 April, Li Dongye, minister of the metallurgical industry, stressed that the iron and steel industrial department should have an overall perspective and subordinate its own work to the overall plans.

Li Dongye said: In the first quarter, the iron and steel industry produced a total of 9.68 million tons of steel, 8.91 million tons of pig iron, 7.56 million tons of steel products and 8.28 million tons of coke. Key enterprises reaped profits totalling 1.25 billion yuan, an increase of 11.1 percent over the same period last year. This indicated that the situation in the first 3 months of this year was good.

With regard to the new problem that targets for transferring pig iron and coke to other industrial departments were not fulfilled in the first quarter, Li Dongyu pointed out that the iron and steel industry must organize its production strictly according to state plans and subordinate its work to the overall interests. For this purpose, all enterprises in this industry are required to effect the following three points: (1) They must not consume the pig iron and coke which should be transferred to other departments in order to produce more steel themselves, because this will adversely affect the fulfillment of other departments' plans and market supply. One should not just try to improve the economic results of one's own enterprise at the expense of the economic results of the entire society. Henceforth, no enterprises are allowed to produce extra steel beyond planned targets when they fail to fulfill their tasks for transferring pig iron and coke to other departments. (2) They cannot grab extra energy from other industrial departments, especially light industrial departments, in order to produce more steel. The iron and steel industry must base its production on the amount of energy assigned by the state and try hard to save more energy and to produce more

steel products which are urgently needed by the state. (3) Quality control must not be slackened because of the current short supply of steel products. Key targets concerning quality and specifications prescribed by the plans must all be fulfilled by relevant units in the second quarter. Effective technical measures must be taken for this purpose.

CSO: 4006/470

CONSTRUCTION

JIANGSU CONGRESS VIEWS CONSTRUCTION PROJECTS

OW241746 Beijing XINHUA in English 1401 GMT 24 Apr 83

[Text] Nanjing, 24 Apr (XINHUA)--Forty-six large and medium projects are being and will be constructed in coastal Jiangsu, east China, under the Sixth Five-Year Plan (1981-1985), according to the on-going first session of the sixth provincial people's congress here.

The projects cover petrochemical industry, energy, transport, textile and light industries.

Ranking first in total industrial and agricultural output value in China and being short of energy, Jiangsu Province is building and expanding a number of large and medium-sized coal mines in Xuzhou's Peixian and Tongshan. These mines are expected to produce 7,800,000 tons of coal annually when completed and to increase 3,750,000 tons in the next few years.

Expansion of the Jianbi power plant at Zhenjiang and the power plant in Xuzhou is in full swing and will increase the province's generating by 800,000 kilowatts. A 220,000-volt transmission line has been completed to convey power from Xuzhou to the areas south of the Yountze River in Jiangsu. Another 500,000-volt transmission line will be built between Xuzhou and Shanghai over a distance of 496 kilometers.

A large chemical fibre works in the suburbs of Nanjing and an ethylene project for the Nanjing Chemical Industrial Corporation are under construction. After its completion, the chemical fiber works will be able to produce 480,000 tons of polyester fiber, equal to the total cotton output of the province. The ethylene project includes ten petrochemical plants, designed to produce 2,300,000 tons of raw materials for chemical fibers, plastics, synthetic rubber, oils and other chemicals when completed. It is next only to the Baoshan Iron and Steel Complex in Shanghai in importance and scale. Preparations are being made for a large soda plant to be built at near the Lianyung harbor with an annual capacity of 600,000 tons.

Being an important exit for east China's foreign trade, Jiangsu is going to increase 16 10,000-ton class berths in Nanjing and Zhenjiang and seven other berths in the Lianyung harbor.

Advanced technology and equipment will be employed for all new projects, some to be imported from abroad.

Among the 46 projects, 24 will each cost 100 million yuan (renminbi). The total investment of 37 projects will reach 12 billion yuan. All these projects will be put into operation during this decade.

CSO: 4020/72

CONSTRUCTION

BEIJING CURTAILS SCALE OF CAPITAL CONSTRUCTION

OR241834 Beijing XINHUA Domestic Service in Chinese 1436 GMT 22 Apr 83

[By reporter Xu Renzhong]

[Text] Beijing, 22 Apr (XINHUA)--The Beijing Municipal People's Government decided today to ensure the construction of key state projects and curtail the scale of capital construction to obtain better economic and social results. The scale of construction in Beijing is unprecedented this year far surpassing the overall construction capacity in the Beijing area. To ensure that key state construction projects will proceed according to plan, the Beijing Municipal Government has decided to designate 11 key state construction and scientific research projects, including the Sino-Japanese Friendship Hospital, the Beijing Library, a color television center, an international telecommunications office, the Dongdan Telephone Office, the Dongfang Chemical Plant and a semiconductor institute, as top priority projects. These projects should be surveyed and constructed on a priority basis and their supply of materials and installation of public utilities should be ensured on a priority basis. Meanwhile, it is necessary to regard the construction of basic urban facilities and projects of gas, heat, electricity and heat supply, pollution control and food processing industries in particular as key projects and ensure their construction.

The city also decided to strictly control the start of new projects. All projects that do not have the conditions to begin construction should not be allowed to start. Projects that have been started should be immediately sorted out and arranged in the order of importance and urgency in order to curtail the scale of capital construction and concentrate our strength on the projects urgently needed by the state. We should concentrate our efforts on completing those projects of recent years which remain unfinished, and put them into operation at an early date so that we can release more efforts for reinforcing key projects.

CSO: 4006/470

CONSTRUCTION

FUJIAN CANCELS 294 CONSTRUCTION PROJECTS

OW280501 Beijing XINHUA Domestic Service in Chinese 0114 GMT 24 Apr 83

[By correspondent Bao Jinxiang and reporter Wang Weizhong]

[Text] Fuzhou, 24 Apr (XINHUA)--The Fujian branch of the Chinese People's Construction Bank disclosed today that after reviewing self-financed construction projects planned before 1982, Fujian has decided to cancel 294 projects, thus curtailing 173 million yuan in investment funds.

To strictly control the size of investments for fixed assets this year, the provincial planning committee and the provincial branch of the Chinese people's Construction Bank, in accordance with provincial government plans, organized departments concerned to review some 1,300 self-financed construction projects planned before 1982 which involved a total investment of over 268 million yuan. After reexamination, they stipulated that all projects planned for construction with 1981 surplus funds will be canceled and projects that must be continued will be included in this year's self-financed projects after being approved by authorities concerned. They also decided that the following projects will be canceled or will not be rescheduled in this year's self-financed construction plan: projects that were not started in 1982; projects for which land has not yet been requisitioned or construction resources have not been ensured; projects that are unnecessary, redundant or uneconomical; and projects that have violated the construction order or have exceeded the authorized size, standards or original target.

CSO: 4006/470

DOMESTIC TRADE

BUSINESS FLOURISHING AT RURAL, URBAN TRADE FAIRS

Beijing JINGJI RIBAO in Chinese 22 Mar 83 p 1

/Article: "The Whole Nation Has 40,000 Lively Country Fairs; Trade in Village Fairs Begins Development Toward Comprehensive Marketing"

/Text/ According to statistics from the State Administrative Bureau of Industry and Commerce, up to the end of 1982 there was a total of 44,775 rural and urban fairs in the whole nation, an increase of 1,762 from the previous year, and among these, the ones in farm villages increased by 1,469 and those in cities by 293. In the rural and urban fairs the total amount of trade exchange had a basic increase of 5 billion a year for 3 successive years. In 1982, there was another increase of 4.1 billion, which was a 14.3 percent increase over the previous year, reaching 32.8 billion; within this figure, the exchange of commodities in the markets in the farm villages amounted to 28.7 billion yuan, up by 13.4 percent over the year before, while in the cities the trade exchange amount of the fairs was 4.1 billion, a 20.6 percent increase over the year before.

The development of trade fairs has brought convenience to the lives of urban and rural people. In 1982, the proportional amount of vegetables exchanged in the trade of city fairs already increased from 9.78 percent of the total volume of retailed commodities in state-owned commerce in the previous year to 16.62 percent. One-fourth of the beef and lamb and two-fifths of the chicken, ducks and geese consumed by state employees and workers in the cities were bought at the fairs. The rural trade fairs have begun to develop into large-scale comprehensive markets with not only farm by-products, but also industrial products and handicrafts. The occurrence of this situation has promoted the development in farm villages of the production of specialized and key household commodities to fit the needs in many facts of the lives of the masses.

In 1982 a particularity of the price changes in the trade fairs was that prices increased in the villages and decreased in the cities. In comparing the end of 1982 with the same time the previous year, there was an average price increase of 4.28 percent in the villages; compared with the same time the previous year, the prices of commodities in the urban trade fairs in 1982 were on the average .98 percent lower.

FOREIGN TRADE

'SHIJIE JINGJI' ON INTERNATIONAL ARMS TRADE

HK131201 Beijing SHIJIE JINGJI No. 1, 10 Jan 83 pp 29-35

[Article by Tong Guquan [0157 4395 0356] of the World Economics and Politics Institute of the Chinese Academy of Social Sciences: "The Rapid Development of Current International Arms Trade and Its Future Trends"--passages within slantlines published in boldface]

[Text] In recent years, the world arms trade market has been brisk and prosperous as a result of the turbulent international military situation. In light of the immediate interests of monopoly capitalism, the U.S. ruling circle has set the expansion of arms exports as its established guideline. Today, the United States has become the number one arms-exporting country in the world. Since the mid 1950's, the Soviet Union has more and more engaged in the arms business and has now become a prominent arms supplier ranking next to the United States. In view of domestic economic recession, other developed capitalist countries have also been expanding their arms exports one after another. In order to safeguard their national sovereignty, Third World countries have constantly strengthened their arms production, and some of them have also joined the ranks of arms-exporting countries.

The international arms trade, whose rapid development has brought the two superpowers a lot of advantages as well as adding to the economic vitality of other industrialized countries, has become an important means for the Soviet Union and the United States to enforce their hegemonic policy and for Third World countries to fight against hegemony.

I. The Major Characteristics Marking the Rapid Development of the International Arms Trade Since the 1970's

The rapid development of the international arms trade since the 1970's has the following distinctive characteristics:

//1. The growth of world arms export has been speeded up.//

As regional tension has been constantly aggravated, the growth of world arms exports has been very high since 1973. The world's export value of major weapons from 1974 to 1979 totalled \$105 billion, with an average annual export volume valued at \$17.5 billion.¹ In contrast to this, the world's

weapons export value from 1946 to 1969 totalled \$66 billion, with an average annual sales volume valued at \$2.75 billion.² The world's current average annual value of arms sales is 6.5 times as large as that before the 1970's.

The principal causes for the acceleration in growth of the international arms trade were as follows: first, as a result of the worldwide inflation since the 1970's, the production costs of arms as well as other commodities have increased rapidly because of the increase in the price of raw materials and in salaries. The cost of arms has therefore been raised accordingly and thus the arms trade value has increased year after year. Second, the sale price of arms themselves has been greatly raised in comparison with the past. In 1950's, the price of a fighter plane was \$1 million. It was upped to \$3-4 million in the 1960's and to \$8 million in the 1970's. It is estimated that when the new generation of fighter planes enters the market, the price of each fighter will be upped to \$16-24 million. Third, as arms are constantly renewed while old-fashioned weapons are always released from service, the service life of modern weapons has been becoming shorter and shorter. For example, at present, the generally accepted service life of a fighter is about 10 years, in other words, all existing fighter planes will have to be replaced in the 1990's.

//2. The structure of arms trade has undergone changes.//

Before the 1970's, the major capitalist countries had control over the world arms trade market, with the United States in the leading position. From the 1970's on, the structure of the international arms trade has undergone prominent changes:

1) The United States' leading role has been weakened. As reported by U.S. NEWS AND WORLD REPORT on 1 August 1977, the world arms sales volume totalled \$15.2 billion, of which the United States accounted for 49.6 percent, Britain, France, Italy and West Germany altogether accounted for 11.6 percent, the Soviet Union accounted for 28.7 percent, while other countries accounted for 10.1 percent. In comparison with the 1950's and the 1960's, the U.S. contribution to the world arms export has decreased although it still ranks first in the world. (From 1946 to 1969, the United States accounted for 75.8 percent of the world arms exports.)³

2) The position of the Soviet Union has been drastically raised. In the world arms trade market, the Soviet Union took merely 25 years not only to surpass those old-time arms manufacturers like Britain and France, but to deprive as well the United States of its superiority in arms exports to the Third World. According to statistics published by the U.S. Department of Defense, during the period from 1978 to 1980, the Soviet Union exported \$7.5 billion worth of arms to Third World countries each year. In the same period, the United States sold only \$3.8 billion worth of arms to these countries each year.

3) Arms trade is a matter of great weight for Western Europe. For the United States and the Soviet Union, the export of arms does not account for

a considerable proportion in arms production as most of arms products are used to equip their own armed forces. For Western Europe, however, large-scale export of arms is an important factor to keep the armaments industry prospering, because all munitions enterprises in these countries will have to close as soon as arms production is halted. Arms manufacturers are the first principal beneficiaries in arms production. Monopoly capitalists have already made tremendous profits from the arms trade. Every one of the top 10 non-American arms manufacturers in the capitalist world has an annual sales volume of over \$200 million.⁴ Of these top 10 arms manufacturers, 4 belong to France, 3 to Britain, 2 to West Germany and 1 to Israel. Thus it can be seen that the armaments industry has great weight with Western Europe.

4) Some Third World countries have joined the ranks of arms-exporting countries. According to the latest statistics provided by the U.S. Arms Control and Disarmament Agency, in the last 10 years, the arms export volume of some Third World countries rose from \$300 million in 1970 to \$1.58 billion in 1980. The arms output value of some Third World countries rose from less than \$1 billion in the year 1970 to \$6 billion in the year 1980, which made up 5 percent of the world's total arms output value.⁵ At present, there are 30 arms-producing countries, and the number of Third World countries which can make or assemble military equipment more sophisticated than guns has increased from 6 to 14, an increase of more than 100 percent.

It cannot be denied that the entering of Third World countries into the world arms market constitutes a serious threat against the Soviet Union and the United States.

//3. The composition of export items in the international arms trade has undergone changes.//

In recent years, the proportion between conventional arms and sophisticated ones in the composition of export items in the international arms trade has differed from that of the post-war period. The proportion of conventional arms in the composition of exported arms was relatively high after the war. Conventional arms constituted the major part of the U.S. military aid provided to the Asian-Pacific region on the outbreak of Korean War.⁶ In the 1960's, the export of conventional arms still made up quite a high proportion. In order to keep India's munitions production under control, the Soviet Union signed with India, in 1963 and 1964 respectively, two "agreements on military aid" which involved an amount of conventional arms including 44 MiG-21 fighters, 100 light tanks and some accessory equipment.⁷ Since the 1970's, the proportion of sophisticated weapons in the composition of the export items of international arms trade has noticeably increased. In August 1971 when the "Soviet-Indian Treaty" was signed, the two countries concluded an agreement concerning the supply by the Soviet Union to India of some secret weapons including a great number of sophisticated weapons. During the Indian-Pakistani War in 1971, a large number of Soviet nuclear submarines, ground-to-air missiles and various conventional arms were continuously transported into India by air and sea. In the meantime, the

United States and other Western industrial countries also sold large quantities of sophisticated weapons to Third World countries. As reported, in recent years, France struck a bargain with Egypt on sophisticated weapons, according to which the former would supply the latter with 20 "Phantom-2000" fighters to be delivered in 1983. According to Egyptian Defense Minister Abu Ghazalan, to buy these strategic fighters Egypt had to pay \$1 billion, which was to be accommodated by France in the form of loan on favorable terms.⁸ Moreover, according to the materials concerned collected in the 1981 Arms Yearbook by the Stockholm International Peace Research Institute, in order to expand their arms exports, West European countries are exporting large numbers of sophisticated and conventional arms on the one hand and, on the other, establishing joint arms enterprises with some Third World countries by making use of locally-produced raw materials. For example, France and West Germany assisted Brazil in assembling Roland missiles; Britain assisted Argentina in producing Cobra anti-tank missiles; the United States encouraged some Third World countries to develop the production of sophisticated weapons by the means of transfer of technological patent. Barry M. Blechman, military analyst of the "Carnegie Award Foundation" and arms control official of the former Carter administration said: "In the past 10 years, the United States signed agreements with some underdeveloped countries on cooperation to produce arms including sophisticated weapons, which assisted these countries in building up their defense industry."

Despite the present relatively high growth of the proportion of sophisticated weapons in arms trade, the export of conventional arms will continue to account for more than half of the total export volume in light of the general trend of arms trade since regional wars still keep going on.

//4. The quantity of arms absorbed by Third World countries is increasing rapidly.//

Developed industrialized countries had been the biggest buyers in arms trade before the mid 1970's. In 1974, the quantity of arms absorbed by developed industrialized countries still accounted for 65.9 percent of the total sales.⁹ Since then, the quantity of arms absorbed by developed industrialized countries has kept on decreasing, while the Third World has become the major sales market for arms. By 1978, the proportion of the arms absorbed by Third World countries rose to 69.7 percent, while that by developed industrialized countries dropped to 30.3 percent.¹⁰ This is another conspicuous new trend in the current international arms trade.

In the arms market of the Third World, the Middle East is the biggest arms sales region. In 1978, the arms import value to the Middle East totalled \$6.6 billion, which accounts for 33 percent of the world market. In the meantime, the arms import volume into Africa has kept growing. In recent years, African countries' arms import value has been maintained around \$2.8 to 3 billion, which accounts for 14 percent of the world's total arms import volume. The value of arms bought by the Far East region has been about \$2.4 billion, which accounts 12 percent of the world market. India and Pakistan of South Asia are also major arms customers, importing about \$1 billion

worth of arms each year. Besides this, Brazil, Argentina, Nicaragua and other countries of South America are also major arms-importing countries.

II. The Arms Trade is an Important Component Part of Military Strategy

Lenin pointed out: "One of the important features of the imperialist stage is that every one of several powers wants to strive for hegemony, in other words, scramble for territory. Their purpose is not completely for their direct interests but mainly to weaken the enemy and destroy the enemy's hegemony."¹¹ The current rapid growth in international arms trading shows that the arms trade is merely an important component part of the global military strategy and policies of the United States and the Soviet Union. From the end of the World War II to the early 1970's, the United States actively carried out its military strategy, building up hegemony in the world. In order to exclusively dominate the world, the United States used various economic and military means, of which military aid was one. "Military aid" was one of the United States' tools to implement its aggressive and war policies. Those who accepted "military aid" would inevitably be dragged into the aggressive bloc knocked together by the United States and would have to provide the United States with military bases and other strategic facilities. According to statistics, from 1945 to 1971, the United States provided the world with economic and military aid totalling \$149.6 billion, of which the portion obtained by NATO and ASEAN members accounted for 70 percent. With that obtained by Japan, South Korea and the Chinese province of Taiwan added, the portion rose to 87 percent of the total value.¹²

However, the U.S. military strategy has undergone obvious changes since the late 1960's. One of the prominent features is the decrease of arms exports which can be attributed to the following three aspects:

First, the decline in U.S. military strength. In the initial period after the war, the United States signed with dozens of countries and areas hundreds of military treaties and agreements, of which nine were "joint defense treaties" stipulating in explicit terms that the United States could dispatch troops to intervene in and enter a war. Based on these treaties, NATO, ASEAN and other military blocs headed by the United States were formed. However, the United States' good times did not last long. The war to invade Korea launched by the United States in the early 1950's ended with a crushing defeat. The United States began to rapidly decline from the summit since then. Entering the 1960's, the world people's anti-U.S. movement surged forward wave upon wave. After the U.S. defeat in the Vietnam War, which particularly thoroughly exposed its inherent weakness, the United States was forced to resort to a shift in strategy from offensive to defensive; whereas the Soviet Union, which rose after the United States, has vigorously reinforced its military strength, striving for worldwide hegemony with its rival. In contrast with the Soviet Union, the United States' military strength has been further weakened. In the field of conventional arms, the Soviet Union has gained a good lead. In his report to the Congress on 29 January 1980, the former U.S. Secretary of Defense Harold Brown pointed out: "Having devoted great efforts to the development of conventional arms since

1964, the Soviet Union is undoubtedly enjoying a superiority over us in this field today." In the field of strategic nuclear arms, the number of inter-continental ballistic missiles owned by the Soviet Union was only 1/4 of that owned by the United States in 1964, while the number of its long-distance bombers was 1/7, that of its submarine-launched missiles was 1/10, and that of its nuclear warheads was 1/17 of those of the United States.¹³ At present, apart from lagging behind the United States in the principal specifications of certain strategic weapons, the Soviet Union has surpassed its rival in all other items. The two countries are equal to each other in overall nuclear strength. The decline of U.S. military strength has serious influence on its production of arms, particularly its production of conventional arms. And this will inevitably lead to a decrease in arms exports.

Second, the U.S. military aid was rather ineffective. After the war, by keeping Third World countries under its control through military aid, the U.S. Government tried hard to bring these countries into its spheres of influence. However, things always went against its will. The United States failed to reap good effects although it had exported a great number of arms. India was a key recipient of U.S. "military aid." According to the materials revealed by the U.S. Department of Defense, the United States granted a military aid totalling \$93.8 million to India from 1950 to June 1971. However, India has publicly inclined toward the Soviet Union since the early 1960's. Only the military aid which the Soviet Union granted to India in the period from 1960 to 1970 totalled \$1 billion.¹⁴ Today, the Soviet Union has become India's number one arms supplier. Being a steadfast "ally" of the United States in the Middle East, Iran obtained a \$733 million worth of military aid from the United States from 1961 to 1971. However, this only led to the doom of the Pahlavi dynasty. The decrease in the U.S. arms export is closely related to the above-mentioned circumstances.

Third, the impact of political factors. The decrease in U.S. arms exports was not only attributed to the impact derived from the weakening of military strength and the decrease in the demand for arms export, but was also directly related to the development of the international situation. Since more than a decade ago, while making use of the advanced military technology provided by the United States and other Western countries to vigorously promote its armament behind the smoke screen of "detente," and thus reducing the distance by which it lagged behind the United States (for example, when invading Afghanistan, the Soviet Union utilized U.S.-made electronic remote-controlled radars and heavy trucks), the Soviet Union has exported great numbers of arms to Third World countries. In the 1960's the Soviet Union accounted for 14.2 percent of the volume of arms trade to Third World countries, while the United States accounted for 47.1 percent. In the 1970's, the Soviet portion constantly grew while the U.S. portion markedly dropped. The Soviet portion was 35.3 percent in 1972 and was upped to 38.1 percent in 1974. In the same period, the U.S. portion reduced from 33.6 percent to 27.7 percent.¹⁵ The decrease in U.S. arms exports to the Third World was a remarkable sign of the shift of its global strategy.

If the U.S. defeat in the Vietnam War can be regarded as the end to the U.S. offensive global strategy and the turning point which marked the U.S. strategic shift to the defensive, the 1970's can in turn be regarded as an important era which marked the Soviet strategic shift from defensive to offensive. At present, the international arms trade has the following evident strategic characteristics:

//1. As its ability is not equal to its ambition, the Soviet Union is forced to make some adjustments in its policy on arms export.//

Since the mid-1950's, the Soviet Union has actively meddled in the world arms market, and the arms trade has become one of the important tools for the Soviet Union to enforce its global offensive strategy. Western media has pointed out that "today, in exporting arms to the five major war zones, the Soviet Union is trying to compete with the United States and Western Europe in a direct and offensive way. These war zones are: the Middle East, the Indian Ocean, Africa, Central America and the Caribbean region, and Southeast Asia."¹⁶ In recent years, the Soviet Union has been continuing its infiltration and expansion throughout the world by exporting arms. However, the Soviet Union's trick of expanding its spheres of influence by pretending to provide aid has been more and more exposed to Third World countries; it has been more and more isolated diplomatically while being trapped in Afghanistan militarily; moreover, it has been involved in the serious conflict in Poland in recent years, and has been faced with the challenge of NATO which is tending to expand its armaments. Therefore, the situation is really difficult for the Soviet Union. Under such circumstances, the Soviet Union was forced to make some adjustments in its policy on arms export.

First, trying to temporarily carve up spheres of influence in arms exports with the United States by launching a "peace offensive." At the 26th CPSU Congress, Brezhnev put forth the "peace program for the 1980's," presenting a vigorous and sustaining "peace offensive" to be launched against the Western world. The Soviet Union's purpose in carrying out the "peace program" is not merely to maintain its partial superiority over NATO. In fact, it has an axe to grind. As its global strategic deployment is incomplete so far, the Soviet Union is trying to tempt the United States to temporarily carve up the spheres of influence in arms exports between them, making use of President Reagan's concept which considers the world as a U.S.-Soviet two-pole set-up, so that it can work against time to complete its global military strategic deployment.

Second, shifting its focal point of arms export to Africa and Latin America, based on its "global strategy." At present, the Soviet Union's key target for arms exports to Africa is Ethiopia. In order to keep Ethiopia under control, the Soviet Union has provided an enormous amount of aid to this country. By 1979, Soviet aid (including military aid) to Ethiopia totalled \$2 billion. With this country as a stepping stone, the Soviet Union has speeded up its economic and military infiltration in Southern Africa and has tried to cut the petroleum transport route to the United States and Western Europe so as to fulfill its strategic goal of outflanking the United States.

In Latin America, the Soviet Union provides Cuba with \$2 billion worth of economic and military aid each year. Besides, the Soviet Union and Cuba also make use of the contradiction between the United States and Latin American countries and continuously supply ammunition to the "left wing forces" of such countries as El Salvador, Dominica and so on, on purpose to fish in troubled waters.

Third, provide the Third World with some "sophisticated weapons" so as to beautify the Soviet Union's image as the number one arms supplier. Following the rapid development of modern military technology and the shortening of the renewal cycle of armaments, one naturally has to seek a market for those outdated arms. In the past, those outdated arms accounted for a great proportion of Soviet arms exports to the Third World. Being aware of the outdatedness of Soviet arms, some Third World countries tried to buy arms from Western countries instead. Actuated by political motives, the Soviet Union began to export some sophisticated weapons including strategic planes to some Middle East countries in recent years so as to pacify people's denouncement against it.

//2. Although escalating its struggle against the Soviet Union, the United States is still on the defensive in terms of strategy.//

Faced with the challenge of the Soviet Union, the United States is still assuming the defensive. Reagan put forth the slogan of restoring the United States prestige after assuming the presidency and has tried every means to regain the strategic superiority lost to the Soviet Union. He increased military expenditure to 6 percent of the GNP and formulated an ambitious plan to expand the munitions industry at home. On the other hand, Reagan's international arms trade policy obviously differed from that of his predecessor. In the first place, Reagan attached importance to the vital key link of preventing the Soviet Union from expanding its force in his consideration on the granting of military aid. He emphasized that military exports must be concentrated on those "key role" countries and areas. The focal point of military aid should "mainly be the littoral countries of Indian Ocean which represent important interests to the U.S. strategy."¹⁸ In the second place, he had an eye to the scrambling for strategic raw materials. In view of the sharpened struggle for strategic resources between the Western world and the Soviet Union, the U.S. media strongly appealed to the Reagan administration to take measures to exchange arms for strategic metal as a step toward coping with the menace which the United States was faced with, otherwise the United States would possibly lose its supply line in the war for resources. Furthermore, the United States has adopted a flexible policy on arms trade. In recent years, the United States has taken some flexible measures in its policy on arms trade. For example, in the past, the United States always imposed an arms embargo on the so-called "frontline" countries like Tanzania, Angola and so on. After assuming office, Reagan increased military aid to these countries. And, at the same time, the Reagan administration also took the initiative in relaxing its strained relations with some Arab countries, trying to win them over to its side so that they would support its political and military strategy against the Soviet Union.

However, the strategy of the United States in dealing with the Soviet Union cannot free itself from a passive and disadvantageous position because the United States has many weaknesses: The economic depression has become a drag on the country; inside the U.S. Government, there is divergence of views on defense policy and arms export policy; relations with West European countries is not properly handled and there are many handicaps, thus, there is a loophole that can easily be used by the Soviet Union; although there has been a new turn for the better in the U.S. policy on arms trade with the Third World, countries of the Third World are discontented because there has not been a greater adjustment; in addition, the countries of the Third World abhor U.S. hegemonism and this fact greatly weakens the arrangements made by the United States to resist the Soviet Union.

//3. Countries of the Third World expand the export of arms and hence have kept the global strategies of the United States and the Soviet Union within limits.//

In view of the fact that the two superpowers encroached on the countries of the Third World under cover of military assistance in the postwar period, more and more countries of the Third World realize that: In order to achieve complete independence and to resist the expansion and infiltration strategies of the United States and the Soviet Union, they must enhance their military strength.

In the mid-1970's, Brazil was still an arms-importing country. However, since then, it began to enter the world arms market. In 1977, Brazil sold 400 Sidewinder armoured personnel carriers to Libya. It plans to sell arms to other countries too; Argentina also makes use of the technology bought from the United States to produce large quantities of intermediate technological products. Tanks, artilleries and various kinds of firearms produced by it are sold to countries in the Middle East and North Africa. (Andrew Pierre), the author of the book POLITICAL AGREEMENTS ON INTERNATIONAL SALE OF ARMS, said "the new arms exporting countries always and increasingly rely on the arms production permits issued by the superpowers in getting up-to-date weapons for their own defense." However, the fact that some countries of the Third World export arms instead of importing, them has dealt the biggest arms dealer a heavy blow.

//4. Western Europe is more and more independent in export of arms.//

The intensification of the confrontation between the two superpowers cannot but seriously affect the situation of the whole of Europe and the attitude of the West European countries. Between Western Europe and the United States, there are both unanimity and contradictions. At present, in handling major issues, they take the same stand, continue to take concerted actions and strengthen cooperation. However, as far as the policy on export of arms is concerned, it is obvious that Western Europe tends to be more and more independent: In handling the Middle East issue, Western Europe opposes to the selling of vast quantities of arms to Israel by the United States but proposes that military assistance be given to the Arab countries. Thus, there is a

gap between Western Europe and the United States. As for Central America, Western Europe opposes the U.S. military adventure in intervening in the affairs of Ecuador and Costa Rica; at the Cancun meeting, being more inclined toward Third World countries, Western Europe exerted pressure on the United States, pushing it to make necessary concessions on the granting of economic and military aid.

France is a big arms exporter, ranking third in the world. Before the 1970's, 2/3 of France's exported arms were sold to other industrial countries. Today, 90 percent of France's exported arms are sold to the Asian, African and Latin American countries. On the other hand, together with West Germany, France adopted the policy of "transferring technical patent of arms" to some Third World countries. They assisted some Latin American countries in establishing their ammunition complexes to produce French- and West German-designed fighter planes, tanks and cannons.

III. The Development Trend of International Arms Trade in the 1980's

Entering the 1980's, international tension has been more and more aggravated due to the Soviet Union's large scale invasion of Afghanistan. This has given new stimulus to the expansion of the international arms trade. The major characteristics of the rapid development of the international arms trade in the 1970's will continue to exist and, it is predicted, there will be greater changes in certain respects than the 1970's.

//1. The international arms trade will grow even faster; // As the arms race between the superpowers is becoming more and more acute, the military expenditure of the world is incredibly enormous. Nowadays, the total annual military expenditure has broken through the \$500 billion mark. The huge military expenditure is an important condition for the expansion of arms exports. If the international arms trade increases at the same growth rate of about \$5 billion a year as in the 1970's, its volume, as estimated, will reach \$55 billion in the year 1985 and \$80 billion in the year 1990. By the same calculation, the U.S. arms export value will reach \$25 billion in 1985 and \$40 billion in 1990. And, the Soviet arms export value will reach \$20 billion in 1985 and \$30 billion in 1990. It is predicted that the arms export volume by Western Europe and Third World countries will witness relatively high growth in the 1980's.

//2. The composition of the export items in arms trade will undergo relatively great changes. // Although Western countries have stepped up the readjustment in industrial structure aiming at the saving of energy since the 1974-1975 economic crisis, it is unlikely that the Western countries will achieve an essential breakthrough in science and technology. However, this does not exclude innovations in the structure of arms. In the first place, although the Soviet Union has reached a relatively high standard in the production of various weapons at present, it lags far behind the United States in the quality of strategic arms. Therefore, it will have to make up the gap in this respect and try to increase the export of nuclear arms. In the second place, being faced with the Soviet military challenge, the

United States and Western Europe will never lower their guard. They will expand the production of strategic arms and try every means to deploy new types of nuclear arms in Western Europe and other strategic areas. Moreover, in order to strengthen their defense force, Third World countries have to vigorously develop and export a larger number of strategic nuclear arms besides producing conventional arms since the production of strategic nuclear arms is an important benchmark to evaluate the defense force of a country. By and large, the composition of the export items in international arms trade in the 1980's will undergo relatively great changes. The portion of sophisticated weapons will rapidly increase at a higher growth rate than that in the 1970's. In the meantime, the transferring of strategic arms technology will be further developed. Nevertheless, it is expected that the export of conventional arms will still account for a relatively big portion in international arms trade in the 1980's as regional warfare will still continue for a rather long period.

//3. Concerning the question of the positions of the countries engaged in arms trade.// In the 1980's, the trend of expanding arms export by the countries of the Third World who export new arms will not weaken. There will be improvements in the quality and quantity of arms and these countries will hold an increasingly larger share of the international arms trade. Some oil-producing countries and newly-industrialized countries will become arms exporting countries. In the 1980's, the Soviet Union, the United States and Western Europe will continue to play a leading role in the international arms trade market. The position of Western Europe will be strengthened and Japan will change from an arms importing country to an arms exporting country. The United States and the Soviet Union will continue to practice hegemony in the international arms trade market.

//4. Concerning the question of the sales market of arms.// In the 1950's and 1960's, 60 percent of the sales market of the international arms trade was in the highly industrialized countries; in the 1970's, the Third World had become the most important market for arms. In the 1980's, the quantity of arms bought by the countries of the Third World will greatly increase. Central and North Africa will continue to be the largest buyers of arms of the Third World. Southern Africa will buy a larger quantity of arms than it did in the 1970's and Central America will become a chief customer of arms. Throughout the 1980's, the Soviet Union and arms dealers of the Western countries will strive to expand the export of arms to the Third World in order to seek exorbitant profits. Consequently, the scramble for the world arms market between the United States and the Soviet Union will become more and more acute day by day.

FOOTNOTES

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CSO: 4006/466

FOREIGN TRADE

IMPORTATION OF ADVANCED TECHNOLOGY STRESSED

Fuzhou FUJIAN RIBAO in Chinese 17 Mar 83 p 1

/Commentary: "Speed Up the Pace of the Importation of Technology"/

/Text/ Beginning this year our province has decided to import production lines, key equipment and more than 100 technological items in order to speed up the transformation of technology in presently existing enterprises; this will realize the significant policy decisions of the splendid goals proposed by the 12th Party Congress and is an important matter for the economic projects in our province.

In every nation of the world the experience of industrial modernization demonstrates that if the economically backward nations want to catch up with the industrially developed nations, on the one hand, they have to depend upon their own powers, strengthen research and development in scientific technology and expand their work, while at the same time introducing advanced technology from abroad and fully utilizing the already internationally available results of scientific technology. In this way it will be possible to skip over several middle phases of technological development, win time, start at a higher level, and obtain better economic benefits at a rather low cost. The development of American industry was helped along by the technology of Europe; and after the Second World War, Japan imported the technology of the United States and other nations on a large scale, in one big leap becoming the second economic giant of world capitalism. It armed itself by importing foreign technology and equipment from abroad, and this brought with it a common phenomenon in accordance with laws of development. With isolationism, it would be impossible to realize the Four Modernizations.

The 12th Party Congress indicated that to realize the quadrupling of the gross annual value of industrial and agricultural output, the strategic plan is to go forward in two stages. In the first 10 years, it will be important to build a good foundation, accumulate our strength, and create the conditions; in the later 10 years, we will enter an age of vigorous economic development. During the first 10 years of building the foundation, we must pay close attention to carrying on the technological transformation of presently existing enterprises. Right now within the province there are quite a few industries whose equipment is outdated and whose technological workmanship is backward, whose waste of energy and raw materials is high and whose economic benefits are low.

Carrying on the technological transformation of existing enterprises is already a matter calling for immediate attention. The Party Central Committee and the State Council have executed a special policy in our province, taking flexible measures to import advanced technology from abroad for us and providing beneficial conditions for the faster transformation of technology. In the past few years, our province did some work in this respect, but, in general, we didn't make very great strides. Some comrades use thoroughly carrying out the policy of self-reliance to oppose importing advanced technology and equipment; some enterprises, fearing that they do not have the strength to repay loans, worry greatly about the importation of foreign equipment and technology. In reality, to, in a calculated way, import the advanced technology and suitable advanced equipment of the late 70's and early 80's is really to strengthen our ability to be self-reliant. Many imported items only have to be correctly selected, and they will quickly produce benefits. As soon as Fuzhou's Yuanjian Plant No 1, which was originally backward and isolated and whose goods were outdated, imported the production line for small model carbon resistance film on 220,000 U.S. dollars of credit, its production efficiency increased 17 times, the costs came down a great deal, and the quality of the product was clearly upgraded, in 1981 being evaluated as the province's product of outstanding quality; it was widely used everywhere by manufacturers of color and of black and white televisions, tape-recorders and radios, and was sold in great volume to Hong Kong. Within one year the whole loan was paid off. At the beginning of last year Fuzhou's Plastics No 3 Plant imported a high-speed blowing mold machine, four-color printing presses and so on, seven sets of equipment in all. The output value in comparison with the end of last year increased 45 percent, and the accumulation increased 39 percent; with new products making up for some of the deficiencies in our province's plastics production, benefits from the 9-month investment have already amounted to above 70 percent of the invested amount. We should go one step further in liberating our thought, eliminating worries, and making the most of the present age of advantages to progress faster and more successfully in import projects.

A recent conference for special appointees and mayors to especially discuss the import business progressed one step further toward liberating thought and unified understanding; moreover, in the organization of leadership, the arranging of items, the examining and endorsing of the limits of power, and in the matter of channelling capital and other problems relating to policy, it made a set of important decisions; if we earnestly implement the spirit of this conference, we will certainly push our province's work of importing technology into a new stage. Every level of government and its related departments and enterprises must enter these decisions into their daily agenda and strengthen their leadership. They have to vigorously keep abreast of domestic and foreign scientific and technological trends and economic news, strengthen their planning and coordinate the work of equilibrium. They must pay attention to arousing initiative in every sector and raising work efficiency. Feasibility studies must be strict, procedures of examination and endorsement simplified, policies flexible, and responsibilities clear-cut. Every related sector must work as one, struggling hard to initiate as quickly as possible this new phase of import projects in our province.

TRANSPORTATION

FUJIAN NOTICE ON PROTECTING COMMUNICATION LINES

OW241401 Fuzhou FUJIAN RIBAO in Chinese 15 Apr 83 p 4

[Fujian Provincial People's Government notice on protecting lines of communication--Fujian Government Document No 22 of 1983--promulgated on 26 January 1983]

[Excerpts] In accordance with the "Regulations on the Protection of Lines of Communication" promulgated by the State Council and the Military Commission of the CPC Central Committee and Fujian's actual situation, the following notice is hereby promulgated:

1. "Communication facilities" refer to all types of communication equipment of the postal, telecommunications, railway and military departments, including power poles, cables, wire retainers, insulators and guy wires; underground and underwater cables, tubes, manholes, markers, waterline markets; unmanned carrier wave repeaters, cable gas stations [dian lan chong qi zhang 7193 4968 0339 3049 4541]; unmanned carrier wave stations and microwave passive reflectors of radio circuits; antennas for receiving or sending radio signals; antennas, poles and towers for antenna feeders and wires and waveguides of stations for microwave and satellite communications, and various types of auxiliary facilities of such communication lines.
2. People's governments and departments concerned at all levels must strengthen their leadership and regularly inform and educate the people on the need to protect the lines of communication. Official institutions, factories, mines, military units, schools, rural communes and brigades situated along the lines of communication and people residing along these lines are responsible for the safety of these lines.
3. Any unit or individual who damages the lines of communication and causes an interruption of communications is liable for the expenses for repairs and the financial loss incurred by the interruption; and the criminal responsibilities of that unit or individual must be investigated and ascertained. Stealing power poles, electric wires, cables and other communication equipment, and the use of technical means to endanger communications safety are criminal offenses. Public security and judicial organs must promptly investigate and crack the cases of sabotage of lines of communication by counter-revolutionaries and other criminals, and must handle these cases according

to law. Departments in charge of salvaging scrap are not allowed to purchase communications equipment sold by thieves and must promptly keep the public security organs or communications departments informed of the situation.

The masses must be mobilized and relied upon to struggle against the theft and sabotage of communications equipment. Those units, collectives and individuals who have achieved remarkable results in protecting lines of communication, in preventing their damage, in assisting in the cracking of criminal cases, and arrest of criminals, in recovering stolen communication equipment and in repairing lines of communication shall be recommended and awarded.

CSO: 4006/470

TRANSPORTATION

BRIEFS

XINJIANG RAILWAY--Urumqi, 17 Apr (XINHUA)--A 256-kilometer-section of the Southern Xinjiang Railway, from Yurgou to Hejing, opened yesterday. Yurgou is a growing town on the southwestern fringe of the Turpan Depression and Hejing, a pastoral county reputed for possessing more livestock than most other counties in China. The Southern Xinjiang Railway from Turpan to Korla is 467 kilometers long, roughly following the same route of the "silk road" that linked ancient China with Central and West Asia. Another section of the railway, from Turpan to Yurgou, which is 113 kilometers long, has been put into operation. Winding its way through the Tianshan Mountain and ascending at one point to an altitude of 3,000 meters above sea level, the railway involves a large number of complex engineering projects including bridges and tunnels. The railway is being built by units of the Railway Engineering Corps of the Chinese People's Liberation Army. [Text] [Beijing XINHUA in English 1608 GMT 16 Apr 83 OW]

KEY HEBEI RAIL BRIDGE--Shijiazhuang, 23 Apr (XINHUA)--Workers have finished frame construction work of a 2,875-meter long bridge on a railway being built from Beijing to Qinhuangdao, a major port in North China. The bridge across the Datang River has 90 arches and is one of the 5 being built along the railway, a key capital construction project being undertaken in China. The railway is expected to help increase the transportation of coal out of Shanxi Province for export and domestic consumption. [Text] [OW270323 Beijing XINHUA in English 1408 GMT 23 Apr 83]

PLANNED SHANXI ROADS, RAILWAYS--Taiyuan, 26 Apr (XINHUA)--Shanxi Province, well-known for its coal deposits, plans to construct and transform 10 railways, six feeder railways and 20 trunk lines connecting coal mines during the Sixth Five-Year Plan (1981-1985), according to sources from the provincial people's congress now in session. When these are completed, the sources said, Shanxi's rail-freight capacity will be increased from the present 80 million to 120 million tons per year. In order to increase its capacity of transporting coal beyond its borders, the province also expects to build or transform 1,000 kilometers of highways of sufficient quality to support heavy-duty truck traffic. Another major project toward this goal is a 960-kilometer-long coal slurry pipeline running from southeast Shanxi to Jiangsu Province. The project will be jointly constructed by China and an American company. When the project's first phase is completed, it will be able to transport 15 million tons of coal yearly. Surveying on the project is scheduled to begin very soon. [Text] [OW261401 Beijing XINHUA in English 1123 GMT 26 Apr 83]

HARBIN-GUANGZHOU DIRECT FLIGHT--On 3 April a Trident airliner of the China General Administration of Civil Aviation flew for the first time directly from Harbin, in Heilongjiang Province, to Guangzhou, in Guangdong Province. The Harbin-Guangzhou direct route is 2,750 km, the longest among China's 170 domestic routes. The flight, once a week, takes about 3 hours and carries 106 passengers and 3 tons of cargo. [SK230249 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 14 Apr 83]

CSO: 4006/470

GENERAL

ZHANG GENSHENG'S REPORT TO CONGRESS SESSION

SK200600 Changchun Jilin Provincial Service in Mandarin 1030 GMT 19 Apr 83

[Text] In his report to the first session of the sixth provincial people's congress, Comrade Zhang Gensheng said:

The basic tasks for our province's Sixth 5-Year Plan are to further implement principles of readjustment, reform, consolidation and improvement. In line with the spirit of reform, we should further readjust economic structure, achieve enterprise consolidation, balance proportional relations, make the most of our province's natural resources, fully use existing economic bases and technical conditions, vigorously promote technical progress in production in society, further raise economic results, strive to effect a fundamental turn for the better in financial and economic conditions and further improve the material and cultural life of the people.

After introducing the major targets for our province's economic development during the Sixth 5-Year Plan period, Comrade Zhang Gensheng said:

This is the key year for implementing the Sixth 5-Year Plan. This year, the total industrial and agricultural output value of our province is planned to reach 21.3 billion yuan, a 840 million yuan increase over 1982. Our province plans to ensure a 4-percent increase and to strive for a 5-percent increase of total industrial output value.

As for the fulfillment of these tasks, Comrade Zhang Gensheng said:

In the first place, we should ensure a stable and actual growth of agricultural production and a new development of diversified economy.

At present, our province has basically finished readjusting the agricultural production responsibility system. Some 94.5 percent of production teams in our province are carrying out the all-round contracting system.

The major tasks for the near future are to stabilize and perfect the system, and expand it to forestry, animal husbandry, sideline occupations, fishery, farm machinery management, agricultural techniques and commune- and brigade-run enterprises.

Efforts should be made to conscientiously implement the principle of never ignoring grain output while enthusiastically developing a diversified economy with a view to ceaselessly upgrading the level of agricultural science and technology.

As for agricultural scientific research, we should enthusiastically improve new varieties of seeds, accelerate the construction of bases for growing fine seeds and expand fine-seed sown areas to enable our province's peasants to become rich as soon as possible.

Second, we should firmly attend to industrial reforms, consolidation, readjustment and technical innovation to make a new step for raising economic results. Industrial reforms should persist on the principle of a dominant planned economy supplemented by market regulation, and proceed from the basic measures for developing production, promoting technical progress and raising economic results, carry out the principle of taking duty, rights and benefits into consideration, correctly balance the interests of the state, the enterprises and staff members and workers. At the same time, we should ensure the interests of enterprises, enable them to be full of motive force and vigor and exert pressure upon them to make them fulfill their interests only through arduous efforts.

State-run enterprises should enthusiastically enforce the system of substituting taxes for delivery of profits to the state. This is a great reform and we should enhance our leadership to conscientiously achieve it.

We should vigorously attend to enterprise consolidation. Efforts should be made to penetrate the reform into the entire course of enterprise consolidation and to conduct the consolidation in line with the spirit of reform.

Three measures should be attended to in consolidating enterprises: 1) Successfully consolidate leading bodies of enterprises; 2) further perfect the responsibility system for contracted management; 3) make a good plan for conducting technical transformation among enterprises.

In order to achieve industrial readjustment, in line with the specialities of our province's natural resources and technical bases and the international market situation, we should take advantage of favorable conditions and avoid weaknesses, carry superiority forward, further readjust the proportions between light and heavy industries and readjust product mix, organizational structure and technical structure to gradually form a good industrial structure with our province's specialities, a coordinated development of light and heavy industries and good economic results.

Third, strictly control the scale of investments in capital construction, conscientiously ensure the construction of key projects, shorten the construction period and raise returns on investment.

Fourth, conduct reforms in the commercial system, relax the restrictions of policy and further enliven commodity circulation.

Fifth, vigorously increase income and economize on expenditure to strike a balance between expenditure and revenue and to strive for a few surpluses.

Sixth, enthusiastically promote technical progress to bring the function of science and technology into full play in the process of economic construction.

On the basis of investigations and studies, efforts should be made to develop a far-reaching plan for our province's scientific and technical development, a plan for developing trade and a plan for conducting technical transformation among key enterprises.

We should further implement the policy towards intellectuals, boldly promote to leading posts at all levels excellent young and middle-aged specialists with both ability and political integrity, gradually formulate relevant regulations on improving working conditions and the daily lives and salaries of intellectuals and scientific and technical personnel, eliminate the system under which only departments may employ talented persons, and gradually enforce the system of advertising for skilled persons to send talented persons to specific areas.

Seventh, on the basis of developing production, we should continue to improve the livelihood of urban and rural people. This year, we should further expand the channels for employment, enthusiastically help run collectively- and individually-owned enterprises, strive to arrange more jobs for jobless youths and make efforts to collect more funds to solve people's living difficulties in housing, water supply, water drainage, vegetable supplies, and transportation.

In his government work report to the first session of the sixth provincial people's congress, Comrade Zhang Gensheng stressed:

While building the socialist material civilization, we should vigorously build the socialist spiritual civilization. The socialist spiritual civilization should firmly attend to education in communist ideology, which is regarded as central link, vigorously enhance education in Marxism, Leninism and Mao Zedong Thought and education in communist ideals, beliefs and moral values, enhance the communist attitude towards labour and education in revolutionary discipline, ceaselessly upgrade the political awareness of the people, enable the people to play their roles as masters with a strong sense of responsibility and national self-esteem, foster the idea of loving the nation, the people, labour, science and socialism and the idea of wholeheartedly serving the people and carry forward the revolutionary spirit of being resolved to vitalize China in order to make more and more people become laborers with lofty ideals, moral integrity, education and a sense of discipline.

Unremittingly conducting 5-stress, 4-beauty and 3 ardent loves activities is a valid practice of socialist spiritual civilization. In conducting such activities, we must continuously stress improvements in environmental sanitation, public order and service quality and combine shock activities with

regular ones. Concerted efforts should be made to combine the improvement of environmental sanitation, public order and service quality with rural construction and to integrate ideological education with universally formulating and perfecting regulations on civility and courtesy and rules for peasants, staff members, workers, students and attendants.

Comrade Zhang Gensheng said: Education is the foundation for China's modernization and one of strategic priorities in the development of the economy in the next 20 years. From now on, our province should collect funds for developing educational undertakings and should increase investments in developing education.

At the same time, we should enthusiastically support and encourage enterprises, establishments, collectives and individuals to run schools to make education anticipate development of the national economy. We should further reform the educational structure in line with our province's needs for economic and social development. Institutions of higher learning should expand specialized courses, such as the sciences of commerce and law and business management, and accelerate the establishments of specialized courses, such as catering, light and textile industries and industrial art, to further educate talented persons urgently required for production and construction. Reforms in secondary education should enthusiastically attend to developing vocational and technical education to raise the number of vocational and technical school students.

Secondary specialized schools should gradually enroll more and more junior middle school graduates to educate more staff members and workers, enthusiastically develop radio, TV and correspondence education, enhance basic education and upgrade the teaching quality.

By 1985, the province should basically universalize primary school education and urban areas should universalize junior middle school education. Efforts should be made to advocate and guide young people to conduct self-education in scientific and cultural knowledge. Self-educated persons should be encouraged and rationally employed.

We also should continue to pay firm attention to family planning work and never ignore it. The coming few years is still a peak period in child bearing. Bringing the population growth rate under control is an arduous matter of great importance. Governments at all levels and the entire society should attach great importance to it.

We should persist in grasping the two works. Effective measures should be taken to consolidate the results of family planning work. The natural population growth rate in 1983 should be below 13 percent. Efforts should be made to enhance ideological and political work, thoroughly conduct propaganda and education, and upgrade people's awareness of family planning.

We should formulate regulations on family planning to handle affairs in line with the law. To conscientiously protect the legal rights of women

and children, effort should be made to eliminate the outdated idea of regarding men as superior to women and to seriously punish and deal blows at maltreating women who give birth to female babies and at female infanticide.

CSO: 4006/454

GENERAL

JILIN'S GOVERNMENT WORK REPORT ON ECONOMY

SK191038 Changchun Jilin Provincial Service in Mandarin 1030 GMT 18 Apr 83

[Text] In the government work report delivered at the first session of the Sixth Jilin Provincial People's Congress, Governor Zhang Gensheng said: Our province achieved fairly good results in its 1982 economic work. Another bumper harvest was reaped in 1982, following that of 1981. The agricultural output value totaled 6,065,000,000 yuan, a 5.5 percent increase over 1981. Grain output was 20,000,750,000 jin, 8.5 percent more than the previous peak in 1981. The province overfulfilled its state-assigned task by procuring 8.2 billion jin of grain, 1.5 billion jin more than in 1981. The marketable rate was 41 percent. Fairly great development was also achieved in forestry, animal husbandry, sideline production, fisheries and commune- and brigade-run enterprises. Across the province more than 4,000 peasant households earned more than 10,000 yuan each, and 23,000 peasant households sold more than 10,000 jin of grain to the state.

Comrade Zhang Gensheng said. Industrial enterprises in the province improved their economic results remarkably in 1982, and began to change their passive situation. The province's 1982 industrial output value totaled 14,395,000,000 yuan--7.5 percent more than in 1981--surpassing the goal of ensuring a 3 percent, striving for a 4 percent and advancing toward a 5 percent increase set forth at the fourth session of the Fifth Provincial People's Congress. The increase in profits exceeded that in output value. Vigorously applying the management contract responsibility system in its various forms, the capital construction front achieved initial results in changing the situation of eating from the common big pot. Domestic and foreign trade continued to develop, urban and rural markets became more and more prosperous, and prices were basically stable. In financial work, the province, with concerted efforts from all quarters, fulfilled the requirement for achieving a balance between provincial revenues and expenditures with a little surplus. Education, science and technology, culture, physical culture and sports and public health also made new progress. Remarkable results were achieved in family planning. The rate of planned births was as high as 87 percent, 9.1 percent more than in 1981.

Comrade Zhang Gensheng said: On the basis of developed production, the living standards of urban and rural people continued to improve. In 1982, per capita income for commune members from collective distribution was 178 yuan, 34 yuan

more than in 1981. The bill for wages of the province's state enterprises and urban collective enterprises was 8.3 percent more than in 1981.

Comrade Zhang Gensheng said: 1982 was a year in which we achieved fairly good results in our work in various fields, an encouraging year. However, while noticing the excellent situation, we should remain clear-headed to see that although our economic work made new progress, it has not achieved a fundamental turn for the better, that the prolonged left influence has not been completely eliminated and that many problems remain. We should conscientiously improve such a situation in our future efforts in our work.

CSO: 4006/454

GENERAL

FURTHER ON BU HE'S GOVERNMENT WORK REPORT

SK220732 Hohhot Nei Monggol Regional Service in Ma. 'arin 1100 GMT 21 Apr 83

[Text] Bu He, acting chairman of the autonomous regional people's government, said in his government work report that our region will not only fulfill but also will surpass the fighting objective of quadrupling our annual industrial and agricultural output value by the end of this century.

Comrade Bu He said: Our basic ideas are: 1) striving to increase, our per capita industrial and agricultural output value from 1980's 500 yuan to about 800 yuan, a national average, and achieve a fundamental turn for the better in finance; in the coming 5 years, 2) striving to increase the per capita output value to 1,000 yuan by around 1990 so as to be a part of the advanced ranks of the country and to lay a solid foundation for entering a period of new development in the next 10 years; and 3) surpassing the goal of quadrupling the region's annual industrial and agricultural output value by the end of this century, increasing the per capita output value to more than 2,000 yuan and making greater contributions to the fulfillment of the national fighting objective.

Comrade Bu He pointed out: We enjoy many favorable conditions for attaining the above-mentioned fighting goals. They are: 1) Following more than 30 years of construction, our region has laid a reliable foundation for sustained progress; 2) our region abounds with natural resources, especially coal, whose verified reserves ranks second in the country and can mostly be open-minded and which, following the exploration and utilization of energy, will certainly promote a great development in the region's economy as a whole; and 3) we have great potential for economic development.

Bu He stressed: Our most fundamental favorable condition is that under the guidance of the Marxist ideological, political and organizational lines set forth anew by the CPC Central Committee, leading persons at all levels and the rank-and-file cadres and people have greatly raised their awareness in implementing the party's line, principles and policies. We will certainly achieve our fighting goals as long as we uphold the ideological line of seeking the truth from facts and proceeding from reality in doing everything and from the principle of emphasizing forestry and animal husbandry while ensuring the diversified economy, fully rely on the wisdom and efforts of the people of various nationalities throughout the region, display the

revolutionary spirit of completing any undertaking through arduous efforts, make the best use of our favorable conditions and try hard to catch up.

With regard to our region's Sixth 5-Year Plan, Comrade Bu He demanded that the region's industrial and agricultural output value be increased to 13.4 billion yuan by 1985, which would be a 42 percent increase over that of 1980 and an average annual increase of 7.3 percent.

Comrade Bu He said that the general guiding thought for the region's Sixth 5-Year Plan is: perseveringly implementing the policy of readjusting, restructuring, reorganizing and upgrading the national economy and the principle of emphasizing forestry and animal husbandry while ensuring the diversified economy; effectively shifting the economic work to the path that focuses on improving economic results; concentrating efforts on economic restructuring and consolidation of current enterprises; conducting technical transformations in a planned manner with major points pinpointed; and strengthening basic facilities and accelerating educational and scientific undertakings so as to contribute to the overall fulfillment of the state's Sixth 5-Year Plan and to lay a good foundation for the autonomous region for surpassing the quadrupling goal by the end of this century.

With regard to capital construction, Comrade Bu He said: The State Council recently made an important strategic policy decision on stepping up the exploitation of our region's Jungar coalfield ahead of schedule. This is an enormous project the likes of which have never been seen in Mongolia's history. It can be foreseen that the scope of construction in the region's Sixth 5-Year Plan period will be extended.

When talking about enlivening the economy of agriculture, animal husbandry and forestry further, Comrade Bu He pointed out that it is necessary to rely on policies and science and to stabilize, on a long-term basis, the production responsibility system with an all-round contract as a major form.

Comrade Bu He continued: We should persistently implement the production principle of emphasizing forestry and animal husbandry while ensuring the diversified economy and, with the spirit of the foolish old man who removed the mountains [Chinese fable], suit our measures to local conditions and blaze a road emphasizing forestry and animal husbandry while ensuring the diversified economy. We should exert very resolute efforts in grain production. We should successfully build the region's marketable grain bases and steadily increase our grain output so that we will be more self-reliant in grain supply. Animal husbandry should be developed in line with specific local conditions and in a way that both quality and quantity are guaranteed. Administrative and legal measures should be adopted to protect and strictly and the reclamation of grasslands. We should greatly develop medium-sized and small forage and fodder processing enterprises and make rational use of our animal feed resources so as to promote the stable growth of animal husbandry. Forest areas should continue the policy of emphasizing reforestation so that the imbalance between planting and lumbering can be gradually

changed. In forestry production we should earnestly implement the policy that whoever plants the trees owns the trees and other policies in order to expand forest-covered areas step by step.

Comrade Bu He called for efforts to conscientiously consolidate current enterprises, vigorously promote technical progress, strive to improve economic results and achieve greater output value, better economic results and higher speed from industrial enterprises.

Comrade Bu He said: Existing enterprises are major bastions for our advance. Therefore, the quadrupling goal should be based on achieving all-round better economic results from the existing enterprises and giving full play to their role. Enterprise consolidation should be accelerated and completed in the coming 3 years. Consolidation of large and medium-sized enterprises should be completed before the end of 1984 and that of state enterprises by the end of 1985.

Comrade Bu He continued: Economic development should be relied on. Scientific and technical progress and scientific and technical work should be geared to economic construction. This is a basic principle. In order to turn science and technology into productive forces as soon as possible, all departments and localities, aiming at making new products, should coordinate their efforts for tackling technical problems, producing new products on a trial basis, adopting new technology, applying and transferring new domestic techniques, introducing and assimilating new foreign techniques, technically transforming enterprises and mass-producing new products. Light and heavy industry should be organized to produce according to needs so that the right goods are produced to satisfy market needs. Six priority policies should be continuously applied to light industry in order to guarantee market supply and basic price stability.

Comrade Bu He said: Successfully building key projects with energy and transport projects as the main ones is an important link in our efforts to enable our country's national economy to gain initiative and is an important issue concerning economic construction as a whole. In order to speed up coal production, the state has decided to develop four big coalfields in our region--Jungar, Huolinhe, Yiminhe and Yuanbaoshan coalfields--and has worked out plans for more than 10 large power, railway, highway and building material projects to coordinate the development. Completing these projects, Nei Monggol's people of various nationalities will make extremely great contribution to our country's modernization drive.

Comrade Bu He said that government organizational reform is a basic measure for strengthening state power and a fundamental way to change organizational overlapping and overstaffing, to overcome bureaucracy and to improve work efficiency.

Comrade Bu He said: In organizational reform we should readjust and replenish all leading bodies to make them meet the requirements of being more revolutionary, younger, better educated and more professionally

competent. We should implement the principle of promoting promising young and middle-aged cadres, in the prime which, in fact, means promoting intellectuals and placing them in leading posts. Old comrades should wholeheartedly support the young who, in turn, should respect the old so as to strengthen the unity and cooperation between them.

Comrade Bu He pointed out that to build a streamlined and highly efficient government that maintains close ties with the masses and is honest in performing duties is the common desire of the people of various nationalities across the region and is also a responsibility for governments at all levels.

Comrade Bu He set forth five demands on the people's governments at all levels: 1) vigorously create a trend of study to improve the cadre's standards in political theory, general knowledge and scientific knowledge and professional ability; 2) carry forward the fine tradition of maintaining close ties with the masses and conducting investigation and research and conscientiously overcome bureaucracy; 3) do away with outmoded conventions and bad customs and establish a strict and scientific systems of personal responsibility in order to effectively improve work efficiency and quality; 4) resolutely attend to ideological education as a key link in the course of building the spiritual civilization; and 5) strengthen unity among nationalities and consolidate and develop the socialist relations among nationalities.

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GENERAL

BU HE ON NEI MONGGOL ECONOMIC EXPANSION PLANS

OW200041 Beijing XINHUA in English 1149 GMT 20 Apr 83

[Text] Hohhot, April 20 (XINHUA)--Inner Mongolia is one of China's major regions for exploitation during the country's sixth five-year plan (1981-85), the regional government head said today.

Speaking at the first session of the sixth regional people's congress, Bu He, acting chairman of the Inner Mongolia Autonomous Region, said that 26 large and medium-sized projects in the region, involving coal, electricity, petroleum, building materials, nonferrous metal, chemicals, railways and forestry, have been listed in the country's sixth five-year plan.

The biggest project is the Jungar coal field with an area of 1,723 square kilometers and total coal deposits of 36.2 billion tons. When the first phase of development is completed, the field will have an annual capacity of 30 million tons.

With the exploitation of energy, a big increase in Inner Mongolia's industry, agriculture and animal husbandry will ensue, he said.

"According to our local conditions," he said, "this region can realize and even outstrip this national objective." By the national objective, Bu He referred to the target China has set for the two decades between 1981 and the end of this century--quadrupling the gross annual value of industrial and agricultural production.

Listing the favorable conditions of the region, Bu He said that Inner Mongolia has rich natural resources: fertile land and grassland, forestry and mineral resources such as coal, rare-earth metal and natural soda.

"Moreover, the past 30 more years have laid a reliable foundation for the region's further economic development," he said.

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GENERAL

REN ZHONGYI ON DEVELOPMENT OF HAINAN ISLAND

HK200246 Shanghai SHIJIE JINGJI DAOBAO in Chinese 20 Mar 83 p 2

[Report: "Ren Zhongyi Tells Our Reporter: China's Second Largest Island is Taking Off This Year and Will Take on a New Look in 3 Years"--passages within slantlines published in boldface]

[Text] When will the treasure island, Hainan, be developed? "This island is taking off this year, and great changes will take place in its production and mental outlook in 3 years," said first secretary of the Guangdong Provincial CPC Committee Ren Zhongyi to a reporter this morning at the provincial party committee office.

//We Have the Climate, Favorable Geological Conditions and Unanimity//

On hearing that our reporter would pay a visit to Hainan Island, he said: "Hainan is a good place, a treasure island. But at present, it is poor and needs immediate development and construction. In developing Hainan Island, we already have the climate, favorable geological conditions and the support of the people. The 'climate' refers to the party Central Committee's great concern and firm support for the development of Hainan Island; 'favorable geological conditions' refers to the tropical and sub-tropical areas in which Hainan Island is located, to its rich resources and to the convenience it has for carrying out an open-door foreign policy due to its being an island; and the 'support of the people' refers to the unanimity in the understanding of the people in speeding up the development of Hainan Island and to the militant unity of the leading bodies of Hainan Island."

//The Principle of "Three More's" Must be Carried Out in Coordination With the Principle of "Three Stricter"//

When asked about the principles and policies concerning the development of Hainan Island, Ren Zhongyi said: "On the whole, we will promote the development of the island by carrying out an open-door foreign policy, and the development of the island will, in return, support the carrying out of the open-door foreign policy. When carrying out economic activities with foreign countries, Hainan Island can exercise policies as implemented in special economic zones. With regard to implementing special policies in Guangdong

Province, we have put forward the principle of 'three more's,' which means carrying out an open-door foreign policy in a more open manner, carrying out internal policies in a more relaxed manner, and carrying out the policy of granting more powers to units at lower levels. We should implement the principle of 'three hands,' which means 'restraining ourselves as much as we can from extending our hands to the higher authorities for help,' 'extending our hands to foreign countries for as much investment as possible' and 'walking hand in hand.' 'Restraining ourselves as much as we can from extending our hands to the higher authorities for help' means that we must not stress our difficulties before the state. 'Extending our hands to foreign countries for as much investment as possible' means that we must introduce foreign investment and technology into our province and absorb foreign and Hong Kong and Macao' capital. In addition, we should encourage exports. 'Walking hand in hand' means that we must encourage all departments, localities and enterprises in the province to practice economic combination and energetically develop combination between our province and other provinces and cities. The principle of 'three more's' must be carried out under strict management. We must guarantee the implementation of the principle of 'three more's' by carrying out the principle of 'three stricter's' in management, which means stricter discipline, stricter enforcement of the law and stricter management. The principle of 'three stricter's' must be carried out in coordination with the principle of 'three more's'."

//One Can Display One's Abilities in Developing Hainan//

Specifically speaking, how should we realize combination between enterprises in our province and combination between our province and other provinces and cities? Ren Zhongyi told our reporter: Some enterprises in Guangzhou are considering setting up branch enterprises on Hainan Island. Dongfang hotel is one of them. On Hainan Island, there is a place called Tianya Haijiao, which is a famous tourist spot. It is worth building a hotel at Tianya Haijiao. Those who want to display their abilities can do so on Hainan Island. Enterprises are allowed to make transregional investments, to carry out transregional management and to build branch factories, branch shops and branch companies. We do not agree with the practice of blocking the passage of information between enterprises, like separating a prison from the outside world. If you are really talented, you can build branch factories, branch shops and branch companies in all places throughout the country, as long as comrades in these places allow you to do so. When your undertakings have developed and your enterprises have expanded, the original small manager can become a big or general manager. Ren Zhongyi believed that, in the course of developing enterprises and realizing the combination between enterprises, those who are talented would naturally come to the fore, and that this was a method for selecting talented persons. It is necessary to carry out a reform with regard to our cadres' system in order to meet the needs of the new situation.

"But many places are still restricted by administrative divisions. How should we solve this problem?"

Ren Zhongyi said: "The natural relations and rational direction of the economy should not be restricted by administrative divisions. As enterprises, they should approach problems from the objective laws governing the economy. Administrative departments should support them in this respect. Of course, enterprises cannot do whatever they like. They must be subject to administrative intervention. I think that state plans, administrative intervention and doing things according to economic laws should and can be closely combined."

"What should we rely on in developing Hainan Island?" asked the reporter.

Ren Zhongyi replied: "We should rely on our policies and on our leading bodies. The party Central Committee has formulated principles and policies concerning the development of Hainan Island. We must have persons to implement these principles and policies. Leading bodies at various levels on Hainan Island are carrying out revolutionization and are absorbing into leadership positions young and educated cadres who have specialized knowledge. As soon as they have good leading bodies, they will resolutely carry out reform work in an orderly manner. In future, the leading organs on Hainan Island will not be special agencies of the provincial organs. They will become a first-grade 'real' government which will lead the work of the island and will have very great decisionmaking powers.

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GENERAL

'GUANGMING RIBAO' ON DEVELOPING URBAN ECONOMICS

HK140807 Beijing GUANGMING RIBAO in Chinese 3 Apr 83 p 3

[Article by Li Gan [7812 1626]: "Energetically Develop the Study of Urban Economics"--reprinted with "slight alteration" from JINGJIXUE WENZHAI [ECONOMICS DIGEST] No. 3, 1983--passages within slantlines published in boldface]

[Text] As a new branch of science, urban economics has attracted much attention from people in all fields in our country. The study of this aspect has developed very rapidly. Preliminary results have centered round the understanding of two laws and one nature. One of these two laws is the law of cities leading the country at the socialist stage. Socialism has abolished the antithesis between town and country and reduced the distinction between town and country. However, cities remain political, economic and cultural centers of society and have become more important. Cities are important bases of large, modern socialist industries, the pivot of the entire national economy, places where most workers concentrate and places where science, culture and education are most developed. With the development of the four modernizations, this important position of cities will be increasingly strengthened. At the socialist stage, cities leading the country is an objective reality independent of man's will and is a necessary condition for socialist economic development and the development of the entire socialist cause. Without the role played by cities, the role played by big cities in particular, it will be impossible to carry out socialist construction smoothly. In the past, we did not understand this well enough, did not appropriately handle problems in this respect, ran counter to the requirements of objective laws and caused serious damage to the socialist construction. This is a bitter lesson. Another law is the law of urbanization. With the development of the entire economy and social division of work, an increasingly greater portion of the population of a country will leave their farmland and engage in various nonagricultural productive activities and other social activities, thus continually increasing the percentage of urban population in the country's total population. This is a common trend in the development of all countries in the world today and is also an objective law independent of man's will. This is an indispensable stage in the development of human society from a lower level to a higher level and is also a manifestation of human progress. We must not go against this law. However, what form is adopted is determined by the respective conditions of each country.

Our country is a big country in which the peasants account for 80 percent of the total population. It is also a developing socialist country. Its path of urbanization has characteristics different from that of capitalist countries. How to proceed from China's reality and blaze a new path to socialist urbanization with China's characteristics is an important task confronting the people of our country and is also a major question in the study of urban economics. The so-called one nature means the nature of cities. A modern city is an organic body synthetically comprising various factors, including politics, economy, culture, population, natural geographical conditions and so on, is a higher form of human social existence resulting from historical development and is also a condition on which large-scale social production and various social activities depend. Various important factors constituting a city are correlated. Grasping their relations as a whole and finding out the objective laws governing the development of their relations are indispensable prerequisites for doing a good job in urban construction and for realizing urbanization. This is also a major question which we should study in urban economics. Because of lack of study on these relations as a whole, we often one-sidedly grasped only one aspect of the nature of cities in urban construction in our country in the past, causing adverse effects on the development of cities. In view of this lesson, strengthening study on this question and scientifically and comprehensively grasping the nature of cities is not a mere abstract theoretical question but a practical question with much significance.

Urban economics is a branch of science and has its specific objects, scope and range of study. Regarding the objects of urban economics, different views exist in academic circles at present. They are mainly as follows: the first view holds that urban economics is a science which deals with the study of urban economy. Therefore, all urban economic questions should be its objects of study. The second view holds that we cannot regard all urban economic questions as objects of study or urban economics and that urban economics can only deal with the study of some economic questions which are unique to cities themselves, such as urban construction, urban transportation, housing, people's livelihood, the supply of nonstaple food, urban environmental pollution and protection, and so on. The third view holds that the main objects of study of urban economics are production relations of urban economy and do not include the question of the productive forces. To be specific, it deals with the study of connections and relations between various enterprises and departments within a city, between various localities, between town and country and between the internal and the external in production, circulation, distribution and consumption. The fourth view holds that the entire city should be regarded as the main object of study of urban economics and that we should explore from the angle of the entire national economy the objective laws of the emergence and development of cities, the laws governing urbanization and urban modernization in particular, and provide necessary theoretical bases for the strategy for urban development. We should say that there are some grounds for all these views and some of their contents are common to them all. I agree with the latter view. This is because in the process of establishing urban economics, a new branch of science, it is not advisable to limit it to too

narrow a range of study, which will not be conducive to its development. On the other hand, we must concentrate on some more definite questions and grasp their essence and crucial points. Only in this way will our study develop and deepen. I think the last view basically meets the above-mentioned requirement and that it can include the contents of all the other views. Of course, all the other views may be retained for comparison in practice.

At present, urban economics is still at a formative stage in our country. In order to develop study in this respect, I think we must pay attention to the questions below:

//First, we must appropriately combine the study of theoretical questions with that of practical questions.// This is particularly important to the study and formation of urban economics in our country. Viewed from the concrete situation of our country, many problems in urban development remain unsolved. If we do not study these problems, urban economics will become useless. On the other hand, if we adopt simple methods to solve these practical problems and consider them only as they stand, we will never attain our goal. This is not reality's demand on science either. Reality demands that science provide a theoretical basis for solving these problems. However, as compared with other, older branches of science, urban economics has a very big weak point--it is still at a formative stage. Therefore, there are no ready theories for it except some discussions of classical writers and some results of study of foreign countries that can be used for reference. We must undertake exploratory theoretical study in the course of studying practical problems. This determines that the study of practical problems must be closely combined with the formation of this branch of science. This is an important feature of urban economics at the present stage and is also one of its strong points. This is because all theories emerge from reality and summarize reality. The fact that urban economics in our country bases itself on reality at the very beginning of its formation ensures its healthy development.

//Second, we must correctly handle its relations with other branches of science related to cities.// Developing cooperation among various branches of science and setting up scientific alliances of various branches of science is a correct avenue for the development of study on urban problems and is also an important condition for establishing and developing urban economics. As mentioned above, a city is a synthetic organic body comprising various factors and urban economics is the chief branch of science, but not the only branch dealing with urban problems. Urban study requires the participation of people not only from urban economics and other branches of social science but also from related branches of natural science. On this basis, various branches of urban science will be formed. This is an inevitable trend of development. These branches of urban science have their respective range of study but they are not isolated from each other. They are not only correlated but also need each other's help. This is particularly important to urban economics because as a highly synthetic branch of science regarding the whole urban entity as its chief object of study, it naturally involves problems in various aspects of the city. It is impossible for

urban economics to cover the study of all these problems. Urban economics must make use of research results of other branches of science and use them as premises of its study. Therefore, it must establish an extensive alliance with other branches of science.

//Third, we must develop research work by steps, with stresses, in a planned way and in a down-to-earth manner.// First of all, we must do a good job in basic work. One way is to systematically collect and catalogue relevant material, including practical, academic, domestic, foreign, historical and current material, laying stresses on domestic and current material. This is an enormous project which we must mobilize people in all fields to carry out by steps, with mutual cooperation and close coordination and in an organized and planned way. Another is to carry out investigations in a planned way, carry out systematic study on typical cities of different types, including study of their history, current situation and internal and external problems. A third is to carry out study on various special topics with stresses on problems closely related to current practical work, exploring their theoretical and practical aspects.

Urban economics is a highly theoretical science and an applied science of great practical value. We must do painstaking work to establish this branch of science. At present, our work has just begun and many problems remain to be explored. We hope that with the common efforts of the broad masses of theoretical and practical workers, this arduous task can be fulfilled quite satisfactorily.

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GENERAL

ROLE OF LAW OF VALUE IN ECONOMIC RESULTS

HK131027 Beijing RENMIN RIBAO in Chinese 8 Apr 83 p 5

[Article by Zhang Zhuoyuan [1728 0587 0337]: "In Stressing Economic Results, It is Imperative to Respect the Law of Value"]

[Text] In the past, while great successes were achieved in China's economic construction, there were two big problems in the development of the national economy as the result of the "leftist" mistakes existing in our guiding ideology and of the one-sided pursuit of high accumulation and high speed: One is that efficiency was low and waste was enormous, and the other is that there were disproportions and drastic ups and downs in the national economy and a high price has been paid to restore normal proportionate relations. In my opinion, the above-mentioned two big problems can be summed up, in the final analysis, into one point, that is, our economic work has run contrary to objective economic laws and in particular, to the law of value. At present we are seeking a new path to develop the national economy. In giving consideration to all economic matters, we must take as our fundamental starting point the attainment of better economic results. Therefore, while continuing to stress acting according to the socialist basic economic laws and the law of planned development, we must attach importance to the role of the law of value and conscientiously respect the law of value in our economic work. In this situation, it is of important immediate significance to earnestly study many brilliant expositions on the law of value in Marx's "DAS KAPITAL."

Under the socialist system, attention must be paid to economic results, both macroeconomic and microeconomic. Of these, paying attention to the results of microeconomic activities is the foundation for achieving macroeconomic results.

The results of socialist microeconomic activities refers mainly to the results of the economic activities of socialist enterprises. Many expositions in "DAS KAPITAL" on the role of the law of value spurring every commodity producer (every enterprise) to raise the results of his economic activities are suitable for our reality today to an even greater extent. Therefore, while paying attention to the results of microeconomic activities, we must respect the law of value.

As we all know, in the socialist economy, there exists a relationship of economic interests, on the premise that fundamental interests are identical in every collective of producers, that is, between enterprises, and every collective of producers has its own relatively independent economic interests. This relationship of material interests needs to be regulated in accordance with the principle of exchange of equal values or of exchange of the results of equal amounts of labor as the basic feature of a commodity relation. Of course, the social nature of the socialist commodity relation is fundamentally different from that of the commodity relation of the old society.

Since socialist enterprises are relatively independent commodity producers and the products they produce are bound to be transformed into commodities, then "the working time socially needed in producing these products, as the natural law which plays a regulatory role," that is, the law of value, can "forcefully open a way of its own."* In other words, no matter how much materialized and living labor an enterprise consumes in producing products, the value of these products still depends on the socially necessary working time. For the sake of its own interests, every enterprise is naturally bound to try its best to make the specific labor consumption of its own products become lower than or equal to the socially necessary labor consumption and not to allow them to become higher than the socially necessary labor consumption, otherwise it will find itself in an unfavorable position. Like a merciless whip, the law of value impels every enterprise to improve its operation and management, renovate its technology, raise its labor productivity and [?] own its costs. In a word, it compels the enterprises to carefully calculate and strictly budget and pay attention to economic results in all economic activities. It can thus be seen that objectively, the law of value can be turned into a silent force which pushes forward the socialist movement of emulating, learning from, catching up with, helping and in turn surpassing each other.

On the other hand, under socialism, if we do not recognize that collectives of producers, that is, enterprises, have their own relatively independent economic interests and deny that the products (in particular, the means of production) produced by enterprises are bound to be transformed into commodities and proceed to handle all revenues and expenditures in a unified way in finance, to put products under state unified purchase and monopoly marketing and put the means of production under state unified allocation and distribution and practice the method of everybody eating from the same big pot, the enterprises will thus act as the appendages or abacus beads of the administrative organs of the higher authorities, according to the administrative orders issued by the higher authorities and only pay attention to the fulfillment of the tasks assigned by the higher authorities and not pay attention to the results of economic activities in policy decisions concerning production and management. While organizing and managing socialist economic activities in the past, we encountered the above-mentioned problems and shortcomings. For a long time, we have practiced an economic system

*"Collected Works of Marx and Engels," Vol 23, p 92.

which is overcentralized, repels the market mechanism and gives priority to administration. This system has stifled the enthusiasm and initiative of the enterprises and of their staff and workers and has cost the enterprises their spirit of continuing to forge ahead. This is the important reason why for more than 20 years in China the results of economic activities have been unsatisfactory, consumption has been high and waste enormous and why we have incurred many losses which should not have occurred.

In the present reform of the economic system, while first affirming that the socialist economy is a planned economy, we must recognize that a socialist enterprise is a relatively independent commodity producer and attach importance to the role of the law of value so as to bring about an internal mechanism in the socialist economy, a mechanism which pays attention to and constantly improves economic results and enables the socialist enterprises to regard stressing economic results as the main criterion for policy decisions concerning production and management, to try their best to economize on labor consumption and to use relatively little labor consumption to obtain a relatively great amount of production results.

Recognizing that a socialist enterprise is a relatively independent commodity producer and respecting the role of the law of value can help every enterprise to better produce products for social demands, contribute to the spontaneous dovetailing between production and demand and help the enterprises prevent their incomes from the marketing of goods, the profits they create and the taxes they have to pay from being false. This is another important aspect of improving the results of the economic activities of enterprises.

The socialist economy is developed in a planned way. This is the embodiment of the superiority of the socialist economic system. However, the socialist economic planning work at the present stage cannot ensure that the production of every socialist enterprise can be entirely identical with social demands. This is because it is fundamentally impossible for the planning to embrace the colossal, complicated and ever-changing production and circulation of the socialist society. Some other countries have calculated it would take many years to try to work out a minimally detailed plan for several million products (some department stores in foreign countries have tens of thousands of consumer goods to sell and China's Beijing department store has 30,000 products to sell) and by the time the plan was worked out, it would be out of date. Therefore, we can only draw up a general growth plan, determine the orientation of development of the national economy, control the macroeconomic proportions and arrange the production and marketing of the main products vital to the national economy and the people's livelihood and as for the development of the microeconomy and many policy decisions concerning production and management, we can but rely on the enterprises. Lenin incisively pointed out: "A complete, integrated, real plan for us at present equals 'a bureaucratic utopia.' Don't chase it."*

*"Collected Works of Lenin," Vol 35, p 374.

This requires every enterprise to concretely decide the kind and quantity of products to be produced according to the requirements of state general planning or in other words, under the guidance of state planning, and in light of market supply and demand, so that the products it produces can be marketable and accord with social demands. Of course, a small number of backbone enterprises vital to the lifeline of the national economy should arrange their production tasks in accordance with state mandatory targets.

The past practice of state unified purchase and monopoly marketing repeatedly resulted in a situation in which the enterprises arranged their production tasks in disregard of social demands and this caused stockpiling and waste and amazing losses. This state of affairs became more terrible at a time when people blindly chased after high speed and high targets. In the meantime, let us leave aside the question of prices. In this situation, if the profits of enterprises (excluding the enterprises which are vital to the lifeline of the national economy and whose production is carried out according to mandatory planning) are not realized in the market or through the test of the market but are realized in the commercial departments or materials departments without undergoing the test of the market, then the truthfulness of the profits will be open to doubt. It happened a case like this: The cigarette-producing enterprises of a locality handed over to the financial departments a profit of 4 or 5 million yuan which was realized by the commercial departments but at the same time, the commercial departments which purchased this lot of cigarettes submitted to the financial departments an expense account of 5 or 6 million yuan for waste cigarette products. Under this situation, the profits realized and turned over to the financial departments were simply false and did not count. They also could not really reflect the results of the economic activities of enterprises. It can thus be seen that in a situation in which the other conditions remain unchanged, as far as the majority of enterprises are concerned, only the increased profits which have been tested in the market can really reflect the fact that the enterprises have reduced the specific labor consumption in production and raised the skills of their operation and management.

Under socialism, on the premise of identical fundamental interests, there exists, to some extent, a contradiction of economic interests between the working people and the collectives of producers, that is, the enterprises. However, the socialist economy is a planned economy. By means of establishing a rational economic management system, the society and state can make use of economic levers and administrative interference to integrate the economic interests of the enterprises with those of society.

This calls for seeking a binding point which combines the interests of the enterprises or companies with those of society. The experiences of many countries have proved that this binding point is neither total output value nor net output value but instead the profits which are purer than net output value. The problem is how to help the interests of enterprises or companies to accord with the interests of society rather than infringing upon the interests of society in seeking for profits.

For this reason, a series of reforms must be carried out in areas such as pricing, taxation and interest. The key substance is: rejecting all objective factors which have a bearing on the profits and level of the enterprises or companies so that profits only reflect (or basically reflect) the skills of their operation and management or the degree of their subjective exertion. As we know, the quantity of profits and the level of profits of an enterprise or company depend mainly on: 1) the fluctuation of product prices; 2) the rate of taxation; 3) the conditions of natural resources; 4) the condition of technology and equipment; and 5) the techniques of management. These conditions vary from enterprise to enterprise and in particular, at present there is a difference in prices and also a wide difference in the level of profits between different trades and between different enterprises. This has caused unfairness in the division and allocation of profits and seriously affected the evaluation of the operational results of enterprises and the business accounting of enterprises. The aim for us to reform the economic system and to carry out the independent business accounting of enterprises so as to enable profits and their level to really reflect the quality and results of the work of enterprises. To meet this requirement, we must carry out a series of reform tasks in a good, planned and orderly way.

First, we must formulate a rational pricing system so that prices can quite accurately reflect the value of labor and its achievements. In order to put the trades and enterprises with different degrees of materials, technology and equipment under the same economic conditions and to pay attention to the results of the use of funds, pricing must be based on production price. At the same time, in order to encourage or restrict the production of certain products, it is allowable to fix prices a little higher or lower.

Second, taxation must become a tool for rationally regulating the level of profits. A differential tax on natural resources should be levied on the enterprises or companies with fairly good conditions in natural resources so that the enterprises or companies cannot obtain relatively large amounts of profits and raise the level of profits because they own and use the rich natural resources which belong to the whole people. A rational rate of tax on products should also be worked out so as to regulate the level of profits of the enterprises producing different products. While it is difficult for the time being to carry out a major reform of the pricing system, a regulatory tax on profits can solve the problem of unfairness in the division and allocation of profits between different trades and between different enterprises in a quite flexible way. And so on and so forth.

Third, while implementing the principle of paying interests for the use of funds, it is necessary to use the profit rate of funds as the comprehensive target for evaluating economic results so that the trades and enterprises with different levels of technology and equipment can be in an equal position economically.

If we fulfill the above-mentioned tasks, we can basically remove all objective factors which affect the profits and the level of profits of the

enterprises. On the aforesaid premise, the more profits the enterprises create, the more stimulating it will be not only to the enterprises or companies but also to society. In this way, the socioeconomic movement will possess a mechanism which will enable the economic units to promote the interests of society rather than infringing upon the interests of society while pursuing their own economic interests.

Of course, socioeconomic life is very complicated. There are 400,000 industrial and communications enterprises in all throughout the country. The reform of systems, such as pricing and taxation, can hardly ensure that what an enterprise has done or is doing in pursuing its own interests is entirely identical with the interests of society. However, if regulation by planning is implemented in the macroeconomy, coupled with necessary administrative interference, for instance, mandatory targets for production and delivery of goods being transmitted to some key enterprises or regarding important products, the aforesaid reform can on the whole (or as far as the majority of enterprises are concerned) manage to ensure that what the various enterprises have done or are doing while pursuing their own interests is identical with the interests of society. Moreover, this is precisely the superiority of the socialist planned economy. The aim of the reform of the economic system is to give play to this superiority.

In sum, under the socialist system, provided we do our work well and establish a rational economic system, we can bring into full play the role of the law of value in raising the results of microeconomic activities and proceed to lay a sound foundation for improving the results of socio-economic activities as a whole.

In addition, in stressing macroeconomic results, we must also respect the law of value. Having limited space, I will not make an analysis of this issue here.

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